



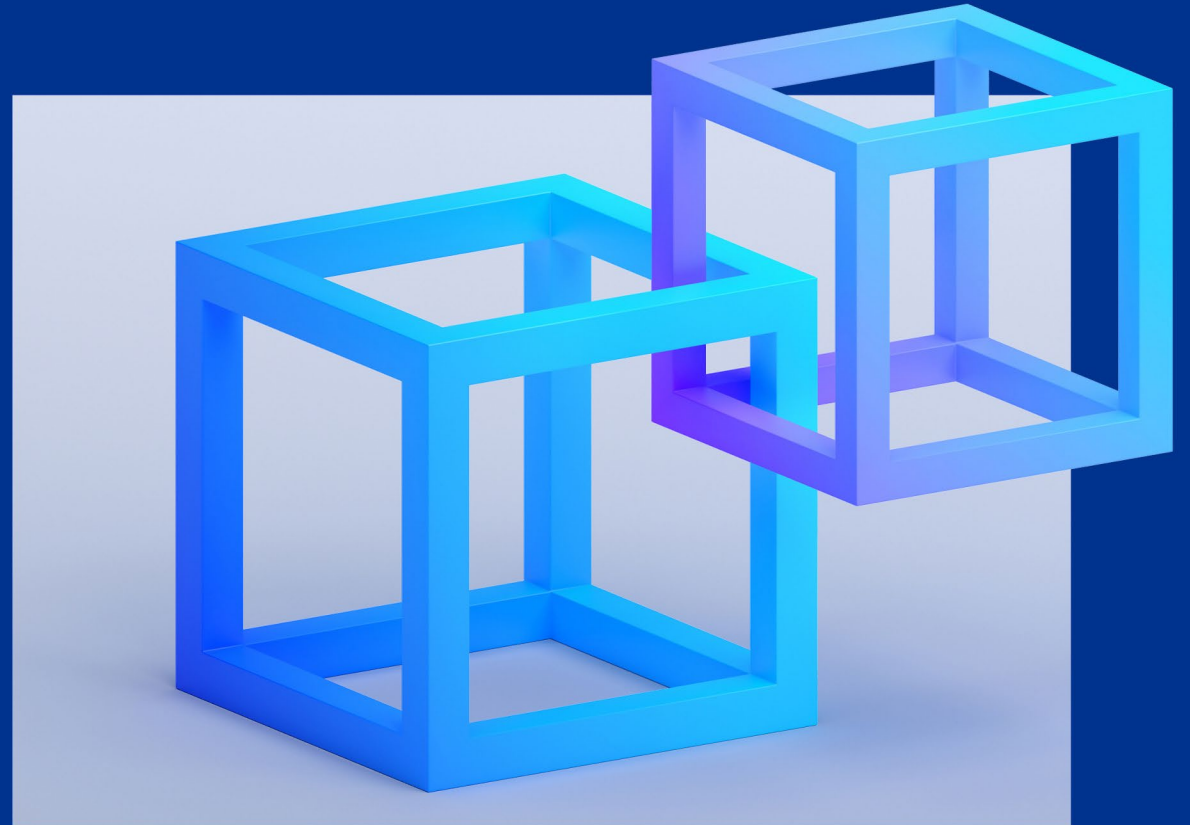
# West Lindsey District Council

Report to the Governance & Audit Committee

External Audit indicative plan and strategy for the year  
ending 31 March 2026

---

30 March 2026



# Introduction

To the Governance & Audit Committee of West Lindsey District Council

We are pleased to have the opportunity to meet with you on 21 April 2026 to discuss our audit of the financial statements of West Lindsey District Council, as at and for the year ending 31 March 2026.

This report provides the Governance & Audit Committee with an opportunity to review our planned audit approach and scope for the 2025/26 audit. The audit is governed by the provisions of the Local Audit and Accountability Act 2014 and is carried out in compliance with the NAO's 2024 Code of Audit Practice, auditing standards and other professional requirements.

This report outlines our indicative risk assessment and planned audit approach. Our planning and risk assessment activities are still ongoing at the time of writing this report, and we will communicate our final audit plan at a subsequent Committee meeting.

We provide this report to you in advance of the meeting to allow you sufficient time to consider the key matters and formulate your questions.

Contents	Page
Overview of planned scope including materiality	3
Significant risks and Other audit risks	5
Audit Risks and our audit approach including Going concern	6
Other significant matters related to our audit approach	13
Mandatory communications	14
Appendix	20

## The engagement team

Debra Chamberlain is the engagement director on the audit. She has over 20 years of experience in public sector audit.

Debra Chamberlain shall lead the engagement and is responsible for the audit opinion.

Other key members of the engagement team include Francesca Shaw and Eva Barrow with 8 years and 4 years of experience respectively.

Yours sincerely,



**Debra Chamberlain**

30 March 2026

### Restrictions on distribution

This report is intended solely for the information of those charged with governance of the West Lindsey District Council and the report is provided on the basis that it should not be distributed to other parties; 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.

### 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 :

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

We depend on well-planned timing of our audit work to avoid compromising the quality of the audit. This is also heavily dependent on receiving information from management and those charged with governance in a timely manner.

We aim to complete all audit work no later than 2 days before audit signing.

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](mailto: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](mailto:tim.cutler@kpmg.co.uk)). After this, if you are still dissatisfied with how your complaint has been handled you can raise your complaint as per the following process [Complaints](#).



# Overview of planned scope including materiality



## Our materiality levels

We determined materiality for the financial statements at a level which could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. We used a benchmark of expenditure which we consider to be appropriate given the sector in which the entity operates, its ownership and financing structure, and the focus of users.

We considered qualitative factors such as business environment, financing, debt arrangement and public scrutiny when determining materiality for the financial statements as a whole.

To respond to aggregation risk from individually immaterial misstatements, we design our procedures to detect misstatements at a lower level of materiality £1.12m / 75% of materiality driven by our expectations of normal level of undetected or uncorrected misstatements in the period. We also adjust this level further downwards for items that may be of specific interest to users for qualitative reasons

We will report misstatements to the Governance & Audit Committee including:

- Corrected and uncorrected audit misstatements above £0.075m.
- Errors and omissions in disclosure (Corrected and uncorrected) and the effect that they, individually and in aggregate, may have on our opinion.
- Other misstatements we include due to the nature of the item.

## Control environment

The impact of the control environment on our audit is reflected in our planned audit procedures. Our planned audit procedures reflect findings raised in the previous year and management's response to those findings.

## Council Materiality

	Council
Materiality for the financial statements as a whole	<b>£1.5m</b> (2024/25: £1.2m 2.55% of Prior Year Expenditure)
Performance materiality	<b>£1.12m</b> (2024/25: £0.9m 75% of Materiality)
Misstatements reported to the Governance & Audit Committee	<b>£0.075m</b> (2024/25: £0.06m)

## Council Materiality

**£1.5m**

**2.75% of Council's Prior Year Expenditure £54.5m**  
(2024/25: £1.2m)



# Overview of planned scope including materiality (cont.)



## Timing of our audit and communications

We will maintain communication led by the engagement director and manager throughout the audit. We set out below the form, timing and general content of our planned communications:

- Kick-off meeting with management in January 2026 where we discussed our audit approach and discussed management's progress in key areas
- Governance & Audit committee meeting in April 2026 where we present our indicative audit plan
- Governance & Audit committee meeting in June 2026 where we present our final audit plan and VfM risk assessment
- Status meetings with management during July to September 2026 where we communicate progress on the audit plan, any misstatements, control deficiencies and significant issues
- Closing meeting with management in October 2026 where we discuss the auditor's report and any outstanding deliverables
- Governance & Audit committee meeting in November 2026 (expected) where we communicate audit misstatements and significant control deficiencies
- Biannual private meetings can also be arranged with the Committee chair if there is interest.

## Using the work of others and areas requiring specialised skill

We outline below where, in our planned audit response to audit risks, we expect to use the work of others such as Internal Audit or require specialised skill/knowledge to perform planned audit procedures and evaluate results.

Others	Extent of planned involvement or use of work
<b>Internal Audit</b>	We will review the work of internal audit as part of our risk assessment procedures but will not place reliance on their work.
<b>KPMG IT Audit Team</b>	We will be utilising our IT Audit team to review our understanding of the key financial systems and processes within the Council.
<b>KPMG Pensions Centre of Excellence</b>	The pensions audit team will perform all planning, risk assessment and substantive procedures over the Local Government Pension Scheme (LGPS) account balances. KPMG actuaries will review and assess the underlying assumptions within the entity's year-end actuarial report.

# Significant risks, Higher assessed risks and Other audit risks



Our risk assessment draws upon our understanding of the applicable financial reporting framework, 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 sector and internal audit reports.

Due to the current levels of uncertainty there is an increased likelihood of significant risks emerging throughout the audit cycle that are not identified (or in existence) at the time we planned our audit. Where such items are identified we will amend our audit approach accordingly and communicate this to the Governance & Audit Committee.

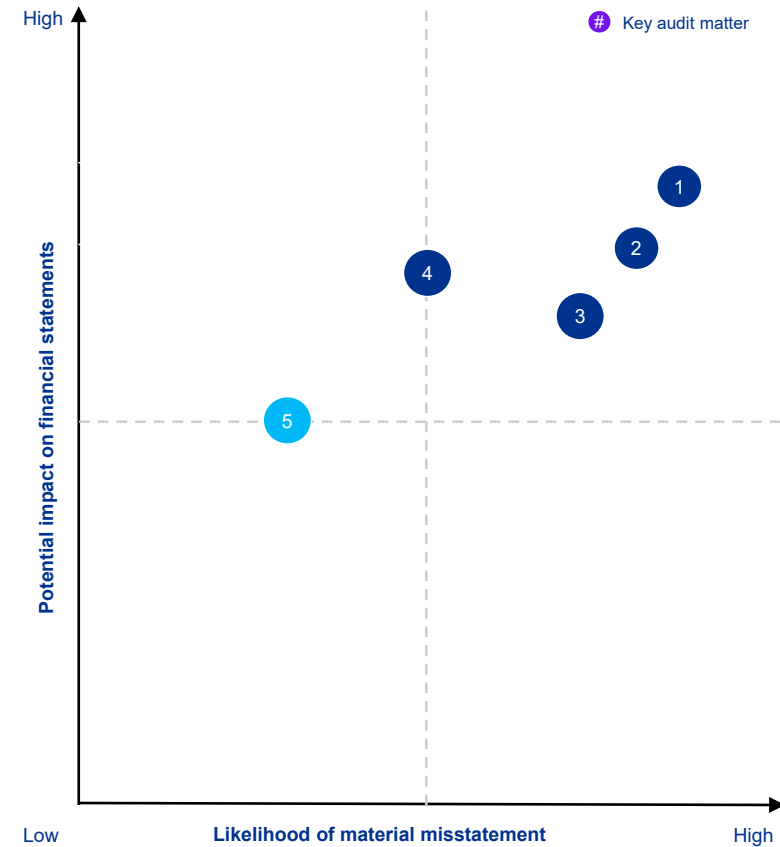
## Significant risks

1. Valuation of land and buildings
2. Valuation of investment property
3. Valuation of post retirement benefit obligation
4. Management override of Controls

## Other audit risks

5. Accounting of Capital Expenditure

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



## Value for money

We are required to provide commentary on the arrangements in place for ensuring Value for Money is achieved at the Council and report on this via our Auditor's Annual Report. This will be published on the Council's website and will include a commentary on our view of the appropriateness of the Council's arrangements against each of the three specified domains of Value for Money: financial sustainability; governance; and improving economy, efficiency and effectiveness.

Our risk assessment procedures are still ongoing at the time of writing this report.



# 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

Change vs prior year



### Significant audit risk

The Code of Practice on Local Authority Accounting in the UK 2025/26 ('the Code') has introduced changes to asset revaluation. The Code requires revaluations for each class of PPE are undertaken using one of the following:

- A quinquennial revaluation, supplemented by annual indexation in intervening years.
- A rolling programme of revaluations over a five-year cycle, with annual indexation applied to assets during the intervening four years.

The Council has adopted a quinquennial revaluation, supplemented by annual indexation in intervening years. As a full valuation of all assets was completed in the prior year, indexation has been applied in the current year to update the relevant asset classes as part of the revaluation process.

There is a risk that the indices chosen, or the way indexation is applied, may not be appropriate. This could result in asset values being misstated.



### Planned response

We will perform the following procedures designed to specifically address the significant risk associated with the valuation:

- Assess the Council's process for selecting and applying the indices used in the current year, including how indexation has been applied across the relevant asset classes;
- Evaluate the design and implementation of the Council's internal controls over the valuation process, with a particular focus on management's review of data inputs, assumptions and the accuracy of indexation calculations;
- Verify the completeness and accuracy of the asset data used as the basis for indexation, including opening balances, asset categorisation, component structures and movements since the prior year;
- Challenge the appropriateness of the indices applied, considering the nature of the Council's asset base and whether the chosen indices reasonably reflect movements in current value for those assets;
- Reperform the Council's indexation calculations to confirm mathematical accuracy and ensure that indexation has been applied consistently and correctly to all relevant assets;
- Review significant movements arising from the application of indexation, following up any unexpected or unusual changes in carrying value; and
- Disclosures: We will review the Council's disclosures to ensure they clearly explain that indexation has been applied in the current year, outline the key assumptions and indices used, and appropriately describe any estimation uncertainty arising from the valuation approach.

# 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

Change vs prior year



### 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 £23.0m 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.



### Planned response

We will perform the following procedures designed to specifically address the significant risk associated with the valuation:

- We will critically assess the independence, objectivity and expertise of WHE, the valuers used in developing the valuation of the Council's investment property at 31 March 2026;
- We will inspect the instructions issued to the valuers to verify they are appropriate to produce a valuation consistent with the requirements of the CIPFA Code;
- We will compare the accuracy of the data provided to the valuers for the development of the valuation to underlying information;
- We will evaluate the design and implementation of controls in place for management to review the valuation and the appropriateness of assumptions used;
- We will challenge the appropriateness of the valuation; including any material movements from the previous revaluations. We will challenge key assumptions within the valuation as part of our judgement;
- We will agree 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 will consider 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.)



## 3 Valuation of post retirement benefit obligations

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

Change vs prior year



### 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 actuary will take account of the results of the new Triennial Valuation as at 31 March 2025 for accounting at 31 March 2026. This means re-basing their estimate models to allow for actual experience since 2022, which could result in corrections to the defined benefit obligation and asset valuations this year. It also updates the contributions payable, which could have an impact on the assessment of the asset ceiling applying to 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.



### Planned response

We will perform the following procedures:

- Understand the processes the Council has in place to set the assumptions used in the valuation;
- Evaluate the competency, objectivity of the actuaries to confirm their qualifications and the basis for their calculations;
- Perform 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;
- Agree the data provided by the audited entity to the Scheme Administrator for use within the calculation of the scheme valuation;
- Evaluate 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;
- Challenge, 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;
- Confirm that the accounting treatment and entries applied by the Group are in line with IFRS and the CIPFA Code of Practice;

# 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

Change vs prior year



### Significant audit risk

We have identified this in relation to the following pension scheme memberships: Local Government Pension Scheme

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



### Planned response

- Consider the adequacy of the Council's disclosures in light of the updated information and change of contributions following the completion of the funding valuation, and assess the sensitivity of the deficit or surplus to the assumptions made;
- Where applicable, assess the level of surplus that should be recognised by the entity; and
- Assess the impact of a new triennial valuation model and/or any special events, where applicable.

# 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

Change vs prior year



### 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.



### Planned response

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

- Assess accounting estimates for biases by evaluating whether judgements and decisions in making accounting estimates, even if individually reasonable, indicate a possible bias.
- Evaluate the selection and application of accounting policies.
- In line with our methodology, evaluate the design and implementation of controls over journal entries and post closing adjustments.
- Assess the appropriateness of changes compared to the prior year to the methods and underlying assumptions used to prepare accounting estimates.
- Assess 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.
- Identify journal entries and other adjustments with characteristics that indicate that they may be inappropriate or unauthorised and therefore may have been used to manipulate the financial statements (which we refer to as 'high-risk journals and other adjustments'), using data and analytics and perform procedures to test the appropriateness of these entries and adjustments.

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

# Audit risks and our audit approach



## Expenditure – rebuttal of Significant Risk

Practice Note 10 states that the risk of material misstatement due to fraudulent financial reporting from the manipulation of expenditure recognition is required to be considered. Having considered the risk factors relevant to the Council and the nature of expenditure within the Council, we have determined that a significant risk relating to expenditure recognition is not required.

Specifically, the financial position of the Council, (whilst under pressure) is not indicative of a position that would provide an incentive to manipulate expenditure recognition and the nature of expenditure has not identified any specific risk factors.

# Audit risks and our audit approach



## Revenue – Rebuttal of Significant Risk

Professional standards require us to presume, unless rebutted, that the fraud risk from revenue recognition is a significant risk. Due to the nature of the revenue within the sector we have rebutted this significant risk. We have set out the rationale for the rebuttal of key types of income in the table below.

Description of Income	Nature of Income	Rationale for Rebuttal
<b>Council tax</b>	This is the income received from local residents paid in accordance with an annual bill based on the banding of the property concerned.	The income is highly predictable and is broadly known at the beginning of the year, due to the number of properties in the area and the fixed price that is approved annually based on a band D property: it is highly unlikely for this balance to be subject to fraudulent financial manipulation.
<b>Business rates</b>	Revenue received from local businesses paid in accordance with an annual demand based on the rateable value of the business concerned.	The income is highly predictable and is broadly known at the beginning of the year, due to the number of businesses in the area and the fixed amount that is approved annually: it is highly unlikely for this balance to be subject to fraudulent financial manipulation.
<b>Fees and charges</b>	Revenue recognised from receipt of fixed fee services, in line with the fees and charges schedules agreed and approved annually.	The income stream represents high volume, low value sales, with simple recognition. Fees and charges values are agreed annually. We do not deem there to be any incentive or opportunity to manipulate the income.
<b>Grant income</b>	Predictable income received primarily from central government, including for housing benefits.	Grant income at a local authority typically involves a small number of high value items and an immaterial residual population. These high value items frequently have simple recognition criteria and can be traced easily to third party documentation, most often from central government source data. There is limited incentive or opportunity to manipulate these figures.

# Audit risks and our audit approach



## 5 Accounting of Capital Expenditure

Risk of error in classification and recognition of capital expenditure

Change vs prior year ▲



### Other audit risk

The Council's capital programme remains material to the financial statements, although capital expenditure has reduced significantly in the year (approximately £12 million decrease).

The classification of expenditure between capital and revenue is inherently judgemental, particularly where expenditure does not clearly meet CIPFA Code capitalisation criteria or relates to non-routine or unusual projects. The risk of misclassification extends across PPE, investment property, REFCUS and revenue expenditure.

Given the nature of the Council's current-year capital activity, including the presence of items that may require additional assessment or challenge, there is a risk that capital expenditure may be incorrectly recognised or classified, which could lead to misstatement of asset balances, the Comprehensive Income & Expenditure Statement and reserves.



### Planned response

We will perform the following procedures in order to respond to the risk identified:

- Review the current-year capital programme and additions listing to identify items that appear unusual or require further assessment, including through early audit review of capital expenditure patterns;
- Select a sample of capital additions and:
  - Inspect underlying invoices, contracts and supporting documentation;
  - Assess whether expenditure meets CIPFA Code capitalisation criteria;
  - Confirm that items have been classified to the correct capital category (e.g., PPE, investment property, REFCUS);
- Perform analytical procedures on capital additions, comparing movements to prior years and expectations, and investigate significant or unusual fluctuations; and
- Review disclosures within the financial statements to ensure capital expenditure is presented in accordance with the Code and clearly reflects the nature and scale of capital activity in the year..

# Other significant matters related to our audit approach



## Disclosure of significant estimates and judgements

We have included here the disclosures of significant estimates and judgements from the prior year annual report (as reported in our governance & audit committee report dated 17 November 2025).

Estimates and judgements	Balance £m	Further comments
<b>Land and Buildings</b>	<b>35.3</b>	The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate current value at that date.
<b>Investment Properties</b>	<b>23.0</b>	The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate current value at that date.
<b>LGPS Gross DBO</b> Gross Defined Benefit Obligation	<b>64.3</b>	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.
<b>LGPS Gross DBA</b> Gross Defined Benefit Assets	<b>72.5</b>	The valuation of the pension assets involve judgements around return over Fund's asset portfolio, asset allocation, and the Council's share of scheme assets over time.

# Mandatory communications - additional reporting



## Going concern






We will assess the risk relating to management’s judgement on the use (or otherwise) of the going concern basis and the adequacy of related disclosures, including any possible material uncertainty. Under NAO guidance, including Practice Note 10 - A local authority’s financial statements shall be prepared on a going concern basis; this is, the accounts should be prepared on the assumption that the functions of the authority will continue in operational existence for the foreseeable future. Transfers of services under combinations of public sector bodies (such as local government reorganization) do not negate the presumption of going concern. However, financial sustainability is a core area of focus for our Value for Money responsibilities.

## Additional reporting

Your audit is undertaken to comply with the Local Audit and Accountability Act 2014 which gives the NAO the responsibility to prepare an Audit Code (the Code), which places responsibilities in addition to those derived from audit standards on us. We also have responsibilities which come specifically from acting as a component auditor to the NAO. In considering these matters at the planning stage we indicate whether:

Work is completed throughout our audit and we can confirm the matters are progressing satisfactorily 	We have identified issues that we may need to report 	Work is completed at a later stage of our audit so we have nothing to report 
---	---	---

We have summarised the status of all these various requirements at the time of planning our audit below and will update you as our work progresses:

Type	Status	Response
Our declaration of independence		No matters to report. The engagement team and others in the firm, as appropriate, have complied with relevant ethical requirements regarding independence.
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 to date.
Provide a statement to the NAO on your consolidation schedule		This “Whole of Government Accounts” requirement is fulfilled when we complete any work required of us by the NAO.
Provide a summary of risks of significant weakness in arrangements to provide value for money		We are required to report significant weaknesses in arrangements. Work to be completed at a later stage.
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.

# Mandatory communications



Type	Statements
<b>Management’s responsibilities (and, where appropriate, those charged with governance)</b>	<p>Prepare financial statements in accordance with the applicable financial reporting framework that are free from material misstatement, whether due to fraud or error.</p> <p>Provide the auditor with access to all information relevant to the preparation of the financial statements, additional information requested and unrestricted access to persons within the entity.</p>
<b>Auditor’s responsibilities</b>	<p>Our responsibilities set out through the NAO Code (communicated to you by the PSAA) and can be also found on their website, which include our responsibilities to form and express an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.</p>
<b>Auditor’s responsibilities – Fraud</b>	<p>This report communicates how we plan to identify, assess and obtain sufficient appropriate evidence regarding the risks of material misstatement of the financial statements due to fraud and to implement appropriate responses to fraud or suspected fraud identified during the audit.</p>
<b>Auditor’s responsibilities – Other information</b>	<p>Our responsibilities are communicated to you by the PSAA and can be also found on their website, which communicates our responsibilities with respect to other information in documents containing audited financial statements. We will report to you on material inconsistencies and misstatements in other information.</p>
<b>Independence</b>	<p>Our independence confirmation at page 24 discloses matters relating to our independence and objectivity including any relationships that may bear on the firm’s independence and the integrity and objectivity of the audit engagement partner and audit staff.</p>

# West Lindsey District Council

## Value for money risk assessment

### Our approach

Year ended 31 March 2026

April 2026

# Value for money



**Our value for money reporting requirements have been designed to follow the guidance in the Audit Code of Practice.**

Our responsibility is to conclude on significant weaknesses in value for money arrangements.

The main output is a narrative on each of the three domains, summarising the work performed, any significant weaknesses and any recommendations for improvement.

We have set out the key methodology and reporting requirements on this slide and provided an overview of the process and reporting on the following page.

## Risk assessment processes

Our responsibility is to assess whether there are any significant weaknesses in the Council's arrangements to secure value for money. Our risk assessment will consider whether there are any significant risks that the Council does not have appropriate arrangements in place.

In undertaking our risk assessment we will be required to obtain an understanding of the key processes the Council has in place to ensure this, including financial management, risk management and partnership working arrangements. We will complete this through review of the Council's documentation in these areas and performing inquiries of management as well as reviewing reports, such as internal audit assessments.

## Reporting

Our approach to value for money reporting aligns to the NAO guidance and includes:

- A summary of our commentary on the arrangements in place against each of the three value for money criteria, setting out our view of the arrangements in place compared to industry standards;
- A summary of any further work undertaken against identified significant risks and the findings from this work; and
- Recommendations raised as a result of any significant weaknesses identified and follow up of previous recommendations.

The Council will be required to publish the commentary on its website at the same time as publishing its annual report online.

### Financial sustainability

*How the body manages its resources to ensure it can continue to deliver its services.*

### Governance

*How the body ensures that it makes informed decisions and properly manages its risks.*

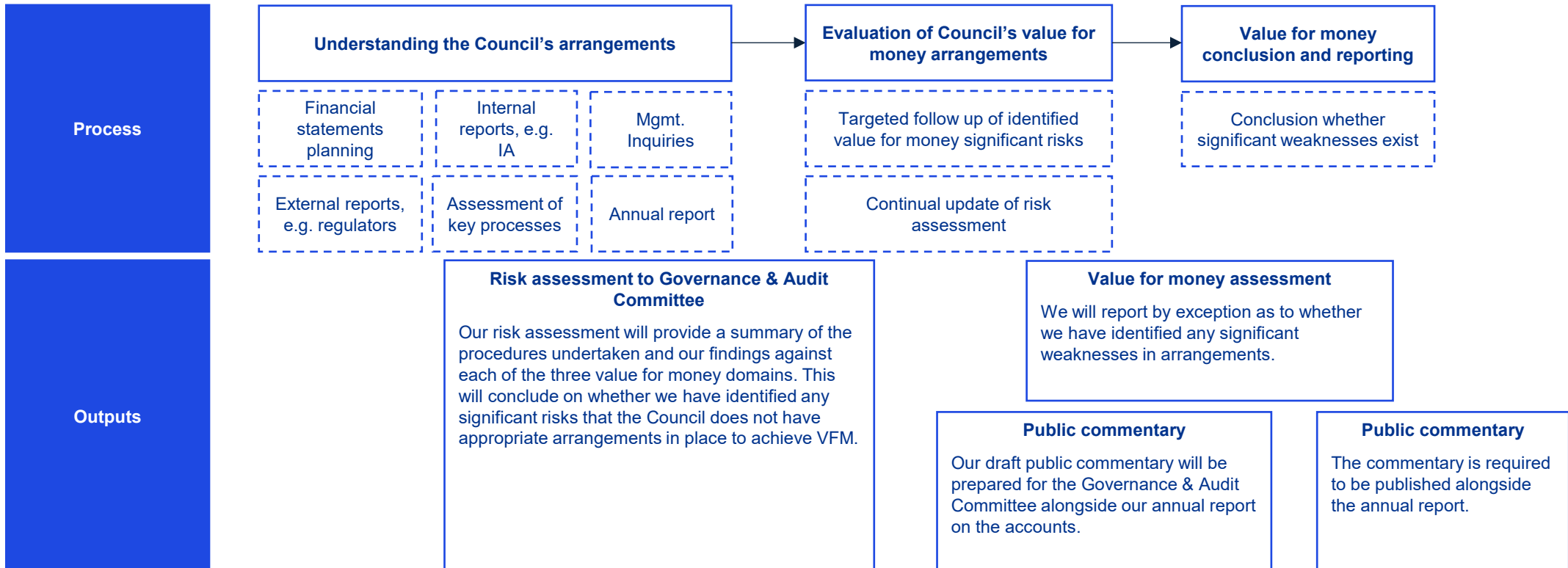
### Improving economy, efficiency and effectiveness

*How the body uses information about its costs and performance to improve the way it manages and delivers its services.*

# Value for money



## Approach we take to completing our work to form and report our conclusion:



# Appendix

<b>A</b>	Audit team and rotation	21
<b>B</b>	Audit cycle and timetable	22
<b>C</b>	Fees	23
<b>D</b>	Confirmation of Independence	24
<b>E</b>	How we will Collaborate with KPMG Clara collaboration (KCC)	27
<b>F</b>	KPMG's Audit Quality Framework	28
<b>G</b>	2025 AQR Results	29

# Audit team and rotation



Your audit team has been drawn from our specialist local government audit department and is led by key members of staff who will be supported by auditors and specialists as necessary to complete our work. We also ensure that we consider rotation of your audit director and firm.

	<p>Debra Chamberlain is the director responsible for our audit. They will lead our audit work, attend the Governance &amp; Audit Committee and be responsible for the opinions that we issue.</p>		<p>Francesca Shaw is the manager responsible for our audit. They will co-ordinate our audit work, attend the Governance &amp; Audit Committee and ensure we are co-ordinated across our accounts and VFM work.</p>		<p>Eva Barrow is the in-charge responsible for our audit. They will be responsible for our on-site fieldwork. She will complete work on more complex sections of the audit.</p>
---	---	--	--	---	---

To comply with professional standard we need to ensure that you appropriately rotate your external audit partner. There are no other members of your team which we will need to consider this requirement for:



This will be Debra's second year as your engagement lead. They are required to rotate every five years, extendable to seven with PSAA approval.

# Audit cycle & timetable

## Our schedule January 2026 – December 2026

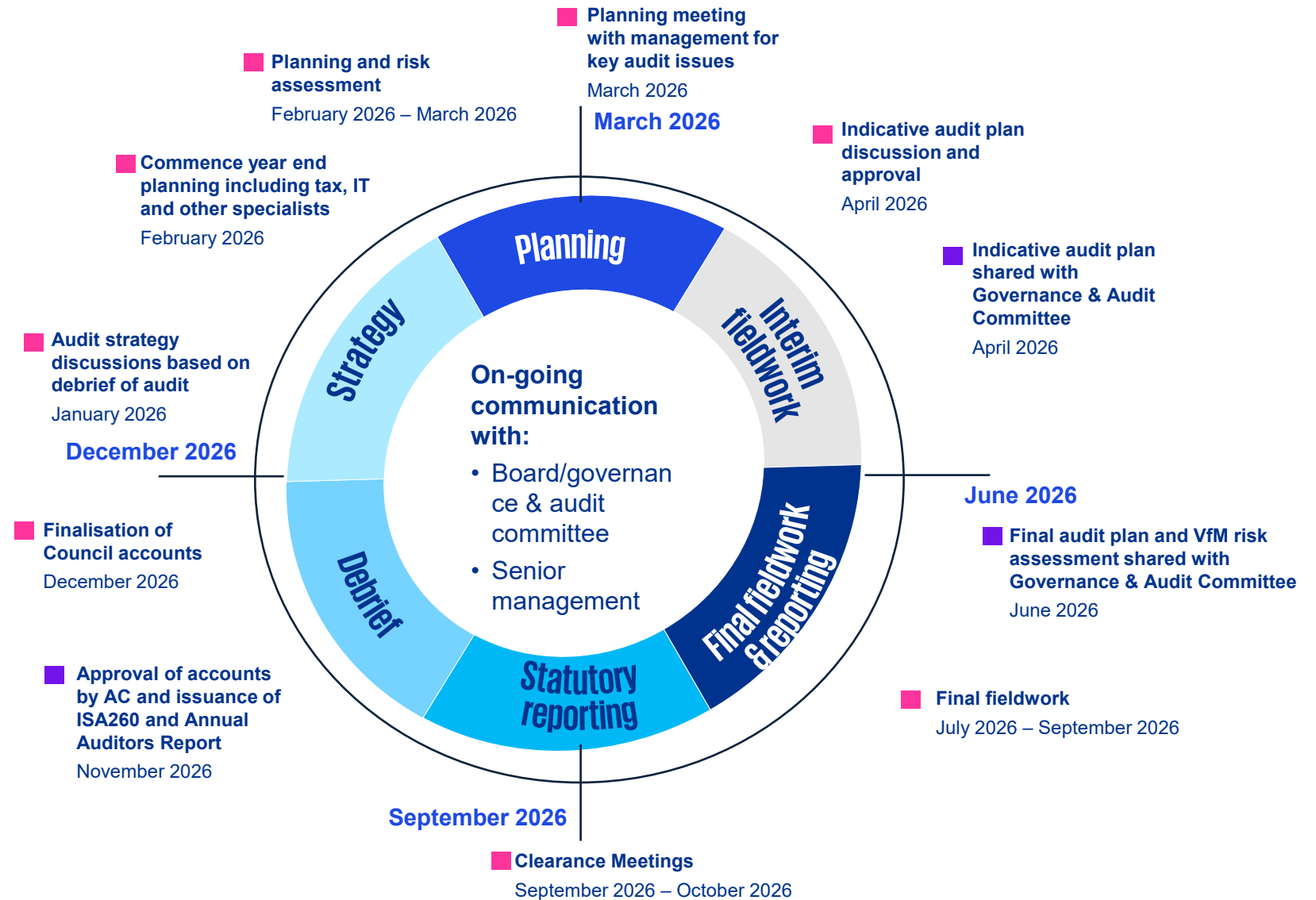
Key:

■ Key events

■ Timing of AC communications

We have worked with management to generate our understanding of the processes and controls in place at the Council in its preparation of the Statement of Accounts.

We have agreed with management an audit cycle and timetable that reflects our aim to sign our audit report by December 2026.



# Fees



## Audit fee

The audit fees for the year ended 31 March 2026 are set out below.

Entity	2025/26 (£'000)	2024/25 (£'000)
Scale fees as set by PSAA	150.7	146.6
Agreed PY fee variations	-	28.8
Agreed current year fee variations	TBC	-
<b>TOTAL</b>	<b>150.7</b>	<b>175.4</b>

We note we are expecting fee variations for the following areas in 2025/26 and will advise of the level as work progresses:

- LGPS Triennial valuation (we will be in a position to provide an estimate once this has been considered further).

Fee variations are subject to PSAA approval.

## Billing arrangements

Fees will be billed in accordance with the milestone completion phasing that has been communicated by the PSAA.

## Basis of fee information

Our fees are subject to the following assumptions:

- The Council's audit evidence files are completed to an appropriate standard (we will liaise with you separately on this);
- Draft statutory accounts are presented to us for audit subject to audit and tax adjustments;
- Supporting schedules to figures in the accounts are supplied;
- The Council's audit evidence files are completed to an appropriate standard (we will liaise with management separately on this);
- A trial balance together with reconciled control accounts are presented to us;
- All deadlines agreed with us are met;
- We find no weaknesses in controls that cause us to significantly extend procedures beyond those planned;
- Management will be available to us as necessary throughout the audit process;
- There will be no changes in deadlines or reporting requirements; and
- There are no VFM significant risks.

We will provide a list of schedules to be prepared by management stating the due dates together with pro-formas as necessary.

Our ability to deliver the services outlined to the agreed timetable and fee will depend on these schedules being available on the due dates in the agreed form and content.

Any variations to the above plan will be subject to the PSAA fee variation process.

# 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 Governance & 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

### 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



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 2026 £m	Value of Services Committed but not yet delivered £m
1	Housing benefit grant certification	Management Self review Self interest	<ul style="list-style-type: none"> <li>Standard language on non-assumption of management responsibilities is included in our engagement letter.</li> <li>The engagement contract makes clear that we will not perform any management functions.</li> <li>The work is performed after the audit is completed and the work is not relied on within the audit file.</li> <li>Our work does not involve judgement and are statements of fact based on agreed upon procedures.</li> </ul>	Fixed	TBC	TBC

# 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 0.3: 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.

	2025/26
	£'000
Scale fees	150.7
Other Assurance Services	TBC
<b>Total Fees</b>	<b>150.7</b>

## 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 Governance & Audit 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 Governance & Audit 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**

# How we will Collaborate with KPMG Clara collaboration (KCc)



**We have successfully deployed KPMG Clara collaboration for West Lindsey District Council during 2023/24, bringing online collaboration features to the audit. The initial implementation has been successful, and we will continue to deploy additional features over the coming years.**

## What is KPMG Clara for West Lindsey District Council?

- Your gateway into the audit - a dynamic, tailored homepage with real time alerts
- Prepared by management (“PBM”) functionality, providing an intuitive user interface for West Lindsey District Council to securely provide KPMG with the required information and to track the status of KPMG’s requests.

Additional features to be deployed through the course of the audit:

- A dedicated and user-friendly space to easily share and collaborate on documents
- Access to the results of our digital audit procedures, through interactive data visualisation and dashboards.

## What have we achieved so far?

- KCc approved for use by West Lindsey District Council
- Access for West Lindsey District Council users setup through single sign-on
- Dedicated training sessions for West Lindsey District Council .
- Q&A session hosted by KPMG to support onboarding of West Lindsey District Council users.
- Use of PBM functionality for the audit in planning.

# 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 Committee, and accountability is reinforced through the complete chain of command in all our teams.

## ■ Commitment to continuous improvement

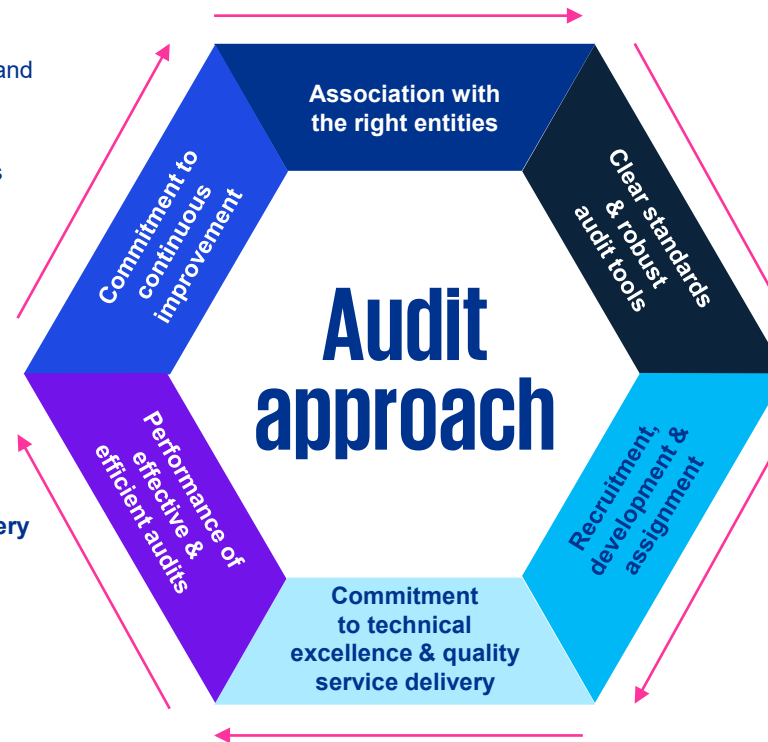
- Comprehensive effective monitoring processes
- Significant investment in technology to achieve consistency and enhance audits
- Obtain feedback from key stakeholders
- Evaluate and appropriately respond to feedback and findings

## ■ 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 entities within risk tolerance
- Manage audit responses to risk
- Robust client and engagement acceptance and continuance processes
- Client portfolio management

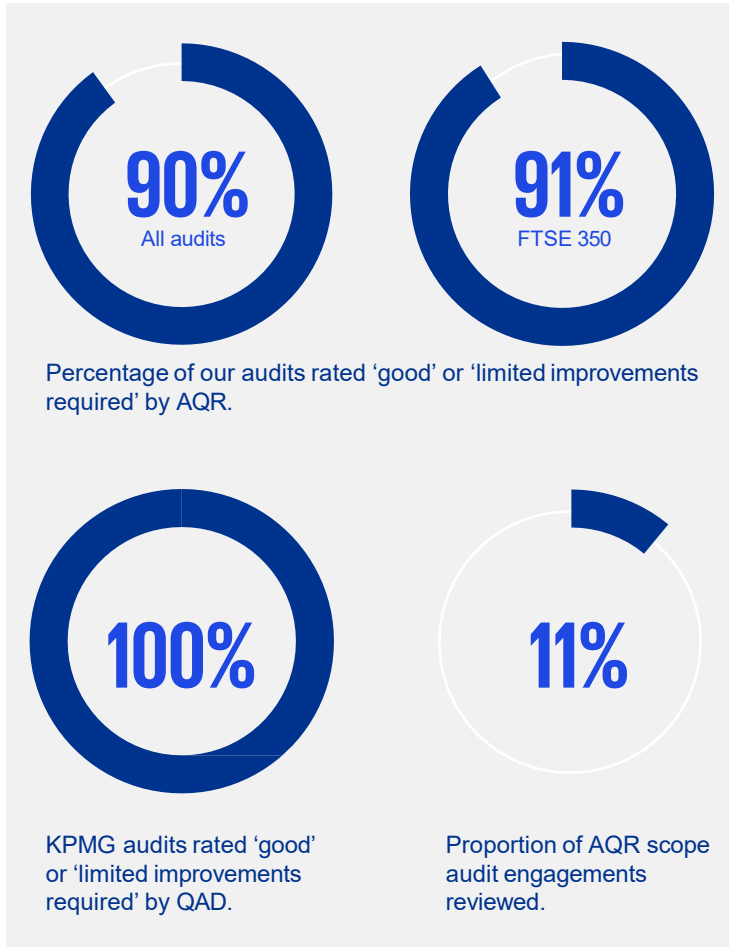
## ■ Clear standards & robust audit tools

- 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 and specialists

# 2025 AQR results



The FRC published reports on the findings of AQR and QAD 2023/24 inspection of KPMG and the other tier 1 firms (which largely covered years ending between August 2023 and March 2024) on 15 July 2025

Key findings	Our response	Good practice identified
<p><b>Estimates</b></p> <p>"Improve the quality and consistency of the audit of estimates in the valuation of investments and provisions."</p>	<p>A targeted programme to support engagements which have estimates with certain characteristics has been initiated. Alongside this, we continue to invest in our training and culture programmes to reinforce the behaviours expected, including consistent application of a critical thinking mindset and the extent of evidence expected.</p>	<p>At an engagement level areas of good practices were identified including:</p> <ul style="list-style-type: none"> <li>• Risk assessment and planning including bribery &amp; corruption, climate and provisions;</li> <li>• Audit of provisions;</li> <li>• Audit of impairment</li> </ul>
<p><b>Consolidation and other journals</b></p> <p>"Improve the quality of the audit of consolidation and other journals."</p>	<p>Enhanced guidance and continuation of a centrally led process designed to challenge the journals approach at an engagement level, together with additional targeted training are helping us to reduce the recurrence of findings in this area.</p>	<ul style="list-style-type: none"> <li>• Use of specialists;</li> <li>• Group audit oversight; and</li> <li>• Stand-back assessment.</li> </ul> <p>Good practices were identified in various areas at the firm level including identification of SOQM deficiencies, component auditors compliance with the ethical standards, the continued roll out of the Ethics Programme and the development and use of new technology.</p>

The Audit Quality Review (AQR) team of the Financial Reporting Council (FRC) undertakes independent inspections of the overall quality of the audit work of those UK audit firms that audit listed and other major public interest entities. The AQR inspections involve a number of file reviews at each firm visited. The result of these file reviews are summarised into three main categories as follows:

- Good or limited improvements required;
- Improvements required;
- Significant improvements required

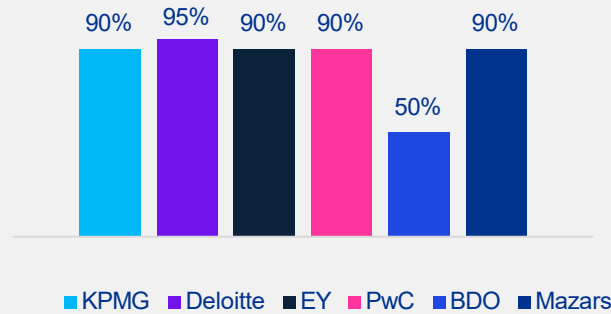


# 2025 AQR results (cont.)

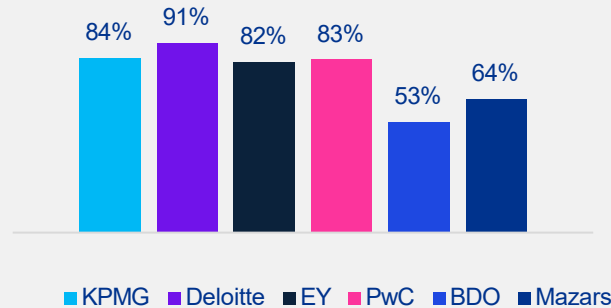
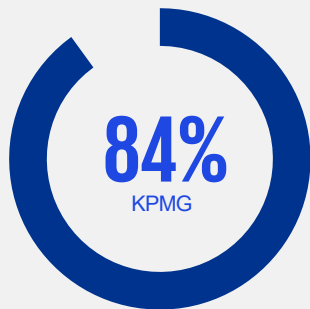


Percentage of all audits reviewed graded Good/Limited improvements required.

2024/25



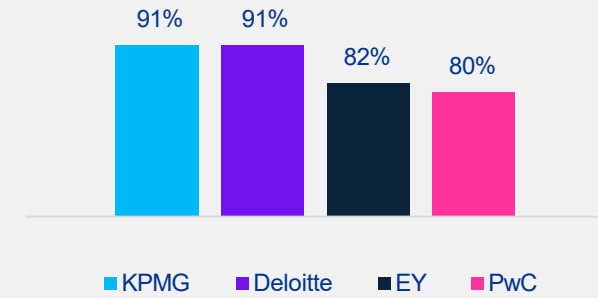
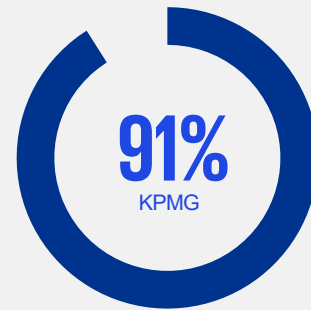
3-year average



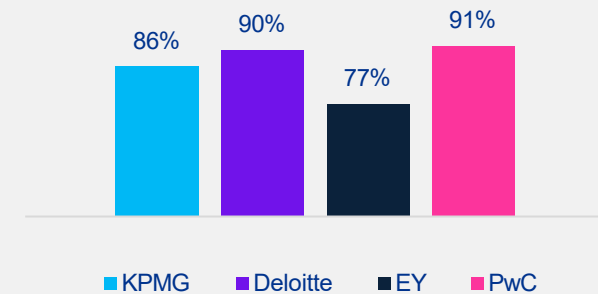
Percentage of all FTSE 350 audits reviewed graded Good/Limited improvements required.

Not disclosed for BDO and Mazars

2024/25



3-year average





[kpmg.com/uk](https://kpmg.com/uk)

© 2026 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

**Document Classification: KPMG Confidential**