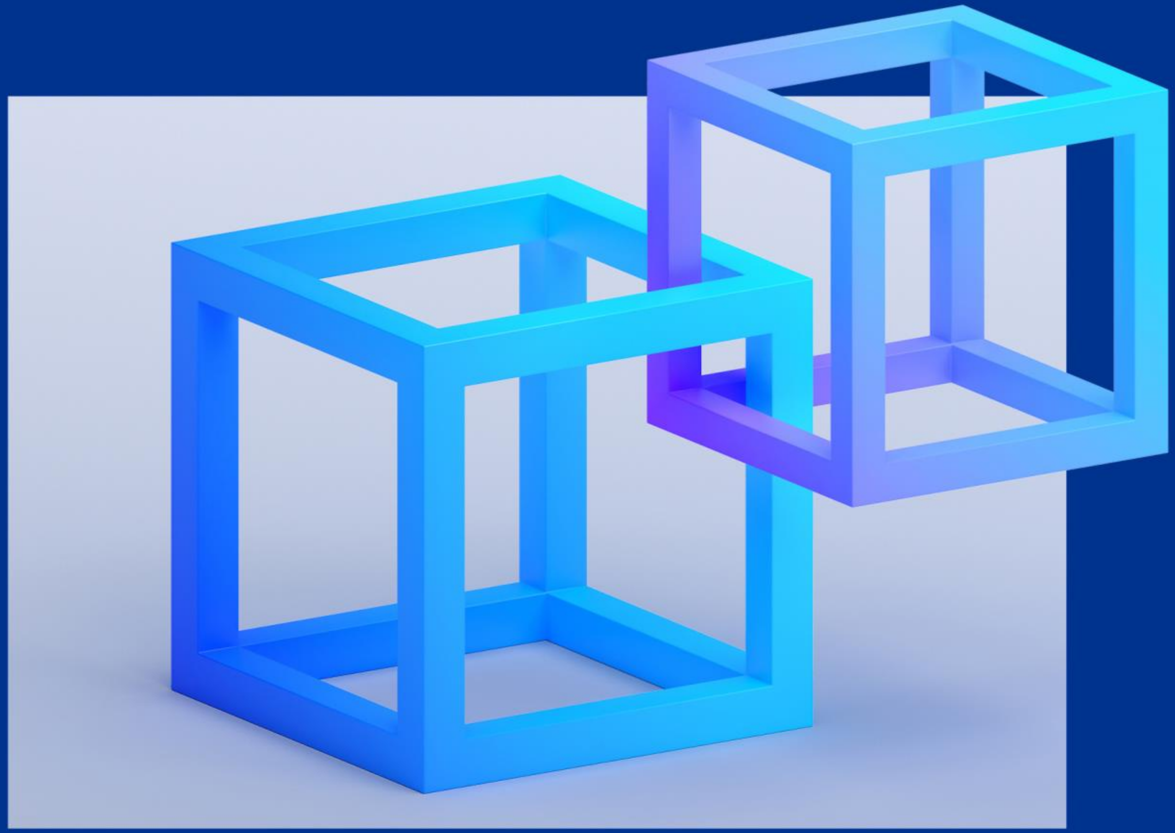
KPMG

Boston Borough Council

DRAFT - Year End Report to the Audit & Governance Committee



Year end report for the year ended 31 March 2025

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27 October 2025

Introduction

To the Audit and Governance Committee of Boston Borough Council

We are pleased to have the opportunity to meet with you on 17 November 2025 to discuss the results of our audit of the consolidated financial statements of Boston Borough Council (the 'Council') and its subsidiaries (the 'Group'), as at and for the year ended 31 March 2025.

We are providing this report in advance of our meeting to enable you to consider our findings and hence enhance the quality of our discussions. This report should be read in conjunction with our audit plan and strategy report, presented on 22 April 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 James Boyle (James.Boyle@KPMG.co.uk), the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with the response, please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Tim Cutler. (tim.culter@kpmg.co.uk). After this, if you are still dissatisfied with how your complaint has been handled you can access KPMG's complaints process here: Complaints.

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 other than those described on page 5.

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,

James Boyle

27 October 2025

Contents	Page

Important notice

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

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

Purpose of this report

This report has been prepared in connection with our audit of the consolidated financial statements of Boston Borough Council (the ‘Council/Authority’) and its subsidiaries (the ‘Group’), 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’s Audit & Governance 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.

Limitations on work performed

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

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

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

Status of our audit

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 Audit & Governance Committee of Boston Borough Council; 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.

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Our audit findings

Significant audit risks	Page 6-12
Significant audit risks	**Our findings**
Valuation of land and building	Testing over the following significant assumptions used in the Depreciated Replacement Cost (DRC) calculation – BCIS - was found to be neutral
Management override of controls	The results of our testing in relation to this risk were found to be satisfactory.
Valuation of post-retirement benefit obligations	We have received the results from KPMG actuaries who have evaluated the assumptions used in the calculation for the Council's post-retirement benefit obligations. The significant assumptions used in the calculation were found to be balanced.

Outstanding matters

Our audit is substantially complete except for the following outstanding matters

- Related Party testing;
- Management representation letter;
- Completion Procedures

Uncorrected Audit Misstatements		Page 29
Understatement/ (overstatement)	**£000's**	**%**
Revenues	(82.3)	0.1%
Surplus for the year	499	3.3%
Total assets	499	0.5%

Number of Control deficiencies	Page 32-46
Significant control deficiencies	0
Other control deficiencies raised in 24/25	4
Prior year control deficiencies not yet implemented	4
Prior year control deficiencies remediated	6

Misstatements in respect of Disclosures	Page 31
Misstatement in respect of Disclosures	**Our findings**
Note 30 – Remuneration Report Note 33- Related Parties	We made some observations to management in order to fully comply with The Code of Local Government Accounting in respect of the disclosures noted here. Full details can be seen on page 31.

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Key changes to our audit plan

We have not made any changes to our audit plan as communicated to you on 22 April 2025 other than as follows:

Risk	Effect on audit plan	Effect on audit strategy and plan
Valuation of Land and Buildings – Assumptions	For assets subject to the DRC valuation, we initially identified a significant risk associated with the obsolescence, BCIS Indices and Location Factor assumptions used in the valuation. When performing our risk assessment of the DRC valuation, we did not identify any significant changes in the obsolescence and location factor assumption used from the prior year and therefore reduced the risk associated with these assumptions to elevated.	The effect on our audit strategy has been documented as part our response and findings on the 'Valuation of Land and Buildings' - see pages 7-8.

Significant risks and Other audit risks

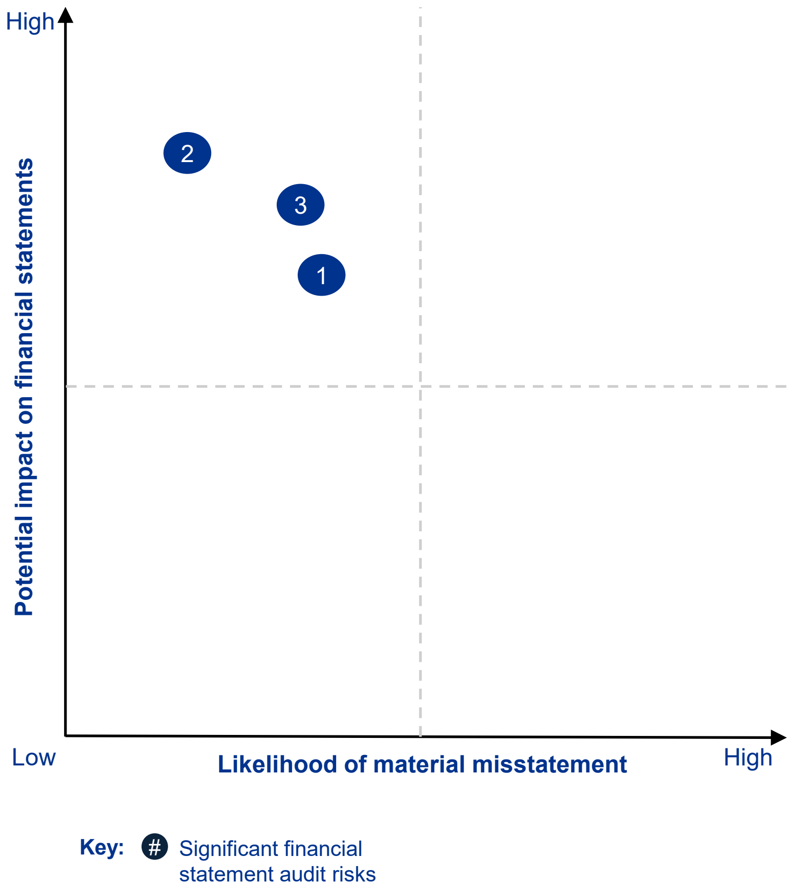
We discussed the significant risks which had the greatest impact on our audit with you when we were planning our audit.

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

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

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

Significant risks	
1.	Valuation of land and buildings
2.	Management override of controls
3.	Valuation of post-retirement benefit obligations



Audit risks and our audit approach

1 Valuation of land and buildings

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

Significant Audit Risk

The Code requires that where assets are subject to revaluation, their year-end carrying value should reflect the appropriate current value at that date. The Authority performs a full revaluation exercise of all Land & Buildings each year.

Other Land and Buildings

For the year-end 31 March 2025, the Council is utilising an internal valuer to undertake the valuation, Edward Cox, (MRICS registered valuer). As per the draft 24/25 financial statements, the value of the Council's Other Land and Buildings as at 31 March 2025 was £37.84m.

Of the £37.8m assets, £30.2m (80%) of the valued land and buildings use the Depreciated Replacement Cost (DRC) model. Due to the level of estimation uncertainty associated with the BCIS assumption, when valuing the relevant elements of the Authority's estate, this creates a significant risk of error that the year-end carrying value of these assets differs materially from their fair value.

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 Edward Cox, the valuer used in developing the valuation of the Boston Borough Council's Other Land and Buildings at 31 March 2025;
- We inspected the instructions issued to the valuer for the valuation of land and buildings to verify they are appropriate to produce a valuation consistent with the requirements of the CIPFA Code.
- We evaluated the design and implementation of controls in place for management to review the valuation and the appropriateness of the significant assumptions used;
- We challenged the appropriateness of the valuation of land and buildings; including any material movements from the previous revaluations.
- We challenged key significant assumptions (i.e. BCIS) within the valuation as part of our judgement;
- Disclosures: We considered the adequacy of the disclosures concerning the key judgements and degree of estimation involved in arriving at the valuation.

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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 fail value

Cautious | Neutral | Optimistic

Our findings

- We are satisfied that the internal valuer, Edward Cox, has sufficient expertise and has appropriate independence and objectivity for the purposes of performing the relevant valuation exercise. As Edward Cox is the only qualified surveyor used by the Council to value a significant portion of the Council's Other Land and Buildings, there is no counter-signatory to the report and review functions are undertaken by staff in the finance department.
- The instructions issued to the internal valuer, Edward Cox were in line with our expectations for the valuation of relevant land and buildings as at 31 March 2025 and were consistent with the requirements of the CIPFA Code
- Auditing standards require us to report that the design and implementation of the management review control relating to this area is ineffective in line with the ISA definition. The ISAs acknowledge that it is difficult for management to design controls that address subjectivity and estimation uncertainty in a manner that effectively prevents, or detects and corrects, material misstatements. We have raised a control deficiency on page 34 for the fact there is no counter-signatory to the report, and no formal management review control in place. However, we are aware that management operates a control that they are satisfied with that provides the organisation with assurance over this area.
- We challenged the appropriateness of the valuation of relevant land and buildings; including any material movements from the previous revaluation. We identified, through inspection of the valuation certificates, that the valuer had used forecast BCIS figures to the end of June 2025, when the BCIS should be taken 'as at' March 2025. We have raised a control deficiency on page 34 and raised an uncorrected audit misstatement on page 29 as using the correct BCIS resulted in a £284k understatement. However, our overall conclusion was neutral.
- We challenged key significant assumption within the valuation under the DRC method as part of our judgement, specifically the BCIS factors. We confirmed the assumptions were neutral.

Other findings linked to the valuation but not in response to the sig risk

- We have challenged management on the Land Value per Acre assumption. We identified a £1.49m overstatement, which has subsequently been corrected by management. See page 30.
- We have identified a calculation error in the valuation of the Princess Royal Sports Arena (PRSA), resulting in an overstatement of £1.25m. This has been corrected by management. See page 30.
- We re-calculated the accounting movements associated with valuation of relevant land and buildings and verified that these have been accurately accounted for in line with the requirements of the CIPFA Code and the Council's accounting policies
- We identified that the underlying floor areas as per formal floor plan for the PRSA did not agree to the valuation certificate, resulting in a £242k understatement. We have raised a misstatement on page 29.
- We have identified that the Council have applied 15% external fees to all DRC valued assets regardless of the external reality of the asset. We identified that the external fees was optimistic in this regard. However, this did not have a material impact on the valuation and as such did not affect our overall neutral conclusion. We have raised a control deficiency on page 35.

Key: Prior year | Current year

Audit risks and our audit approach

2 Management override of controls[a]

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

Significant Audit Risk

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

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

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

Our response

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

- Assessed accounting estimates for biases by evaluating whether judgements and decisions in making accounting estimates, even if individually reasonable, indicate a possible bias.
- Evaluated the selection and application of accounting policies.
- In line with our methodology, evaluated the design and implementation of controls over journal entries and post closing adjustments.
- Assessed the appropriateness of changes compared to the prior year to the methods and underlying assumptions used to prepare accounting estimates.
- Assessed the business rationale and the appropriateness of the accounting for significant transactions that are outside the Council's normal course of business, or are otherwise unusual.
- We analysed all journals through the year using data and analytics and focus 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.)

3 Management override of controls(cont.)[a]

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

Our findings

- Other than the accounting estimates we have identified as part of our significant risks for the valuation of land and buildings (page 7-8), and the valuation of post-retirement obligation benefits (page 11-12), we identified two other accounting estimate that had reasonable possibility of material misstatement as part of the audit. This was in relation to:
  - Fair value of other land and buildings valued under the fair value in use model.
  - Fair value of investment property valued under the fair value in use model.

  Our testing has not identified any indications of management bias.
- We have evaluated the selection and application of accounting policies over relevant accounts and we have not identified any reportable issues.
- Auditing standards require us to consider and report accordingly on the design and implementation of controls in place which respond to the significant risks identified. We confirmed that as the organisation's General Ledger system does not enforce segregation of duties and as such the design and implementation of controls over journal entries and post-closing adjustments were deemed to not be effective.
- We identified 6 journal entries and other adjustments meeting our high-risk criteria – our examination did not identify unauthorised, unsupported or inappropriate entries.
- Our procedures did not identify any unusual transactions.
- Our inquiries with management identified the maintenance of the Register of Interests occurs annually. Our walkthroughs identified that there is a sound process for capturing declarations of interest. However, we identified there were 6 councillors, and 2 members of the Senior Leadership Team that had not completed their declarations at the time of audit. and as such we have raised a control deficiency on page 32. We have additionally identified a misstatement in the Related Parties note. See page 31.

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Audit risks and our audit approach

3 Valuation of post-retirement benefit obligations

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

Significant Audit Risk

- The valuation of the post-retirement benefit obligations involves the selection of appropriate actuarial assumptions, most notably the discount rate applied to the scheme liabilities, inflation rates and mortality rates. The selection of these assumptions is inherently subjective and small changes in the assumptions and estimates used to value the Council's pension liability could have a significant effect on the financial position of the Council.
- The effect of these matters is that, as part of our risk assessment, we determined that post-retirement benefits obligation has a high degree of estimation uncertainty. The financial statements disclose the assumptions used by the Council in completing the year end valuation of the pension deficit and the year-on-year movements.
- We have identified this in relation to the following pension scheme memberships: Local Government Pension Scheme
- Also, recent changes to market conditions have meant that more councils are finding themselves moving into surplus in their Local Government Pension Scheme (or surpluses have grown and have become material). The requirements of the accounting standards on recognition of these surplus are complicated and requires actuarial involvement.

Our response

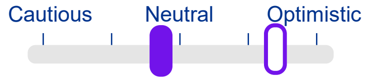
We have performed the following procedures :

- Understood the processes the Council have in place to set the assumptions used in the valuation;
- Evaluated the competency, objectivity of the actuaries to confirm their qualifications and the basis for their calculations;
- Performed inquiries of the accounting actuaries to assess the key assumptions made,
- Evaluated the design and implementation of controls in place for the Council to determine the appropriateness of the assumptions used by the actuaries in valuing the liability;
- Challenged, with the support of our own actuarial specialists, the key assumptions applied, being the discount rate, inflation rate and mortality/life expectancy against externally derived data;
- Considered the adequacy of the Council's disclosures in respect of the sensitivity of the deficit to these assumptions;
- Where applicable, assessed the level of surplus that should be recognised by the entity; and

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



Our findings

- We are satisfied the actuaries who provide the calculation of post-retirement benefit obligations to the Council have sufficient expertise, independence and objectivity in performing the valuation exercise.
- We have performed inquiries of the actuaries to assess the key assumptions made and did not identify any reportable issues.
- Auditing standards require us to report that the design and implementation of the management review control relating to this area remains ineffective in line with the ISA definition. The ISAs acknowledge that it is difficult for management to design controls that address subjectivity and estimation uncertainty in a manner that effectively prevents, or detects and corrects, material misstatements. However, we are aware that management operates a control that they are satisfied with that provides the organisation with assurance over this area.
- We utilised our own KPMG Actuaries to assess the aforementioned key assumptions. We have received the results from our actuaries who have evaluated the assumptions, and all assumptions are deemed to be balanced and fall within KPMG's acceptable range.
- We have confirmed the LGPS remains in deficit as at 31 March 2025.

Key:
Prior year   Current year

Key accounting estimates and management judgements– Overview

Cautious Neutral Optimistic

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
Other Land and Buildings	Cautious / Neutral / Optimistic	£37.8m	£1.5m	Needs improvement / Neutral / Best practice	• Our testing of the BCIS indices, location factors and obsolescence factors confirmed the assumptions to be neutral. Based on the data used by the internal valuer the valuation of the assets sampled were found to be reasonable and appropriate. • We identified that the external fees provision was not specific and higher than expected, and therefore we assessed the assumption to be optimistic but within our acceptable range. • We identified for one asset, the floor area used in the valuation was different to the area on the formal plan. See page 29. • The disclosures were adequate concerning the key judgements and degree of estimation involved in arriving at the valuation.

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Key accounting estimates and management judgements– Overview

Cautious | Neutral | Optimistic

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
Post retirement benefit obligations	Cautious / Neutral / Optimistic	£10.2m	-£0.55m	Needs improvement / Neutral / Best practice	• We utilised our own KPMG actuaries to assess the aforementioned key assumptions. Our actuaries evaluated the assumptions, and all assumptions, except CPI which was determined to be cautious, were deemed to be neutral. All assumptions were deemed to be within KPMG's acceptable range. • The disclosures were adequate concerning the key judgements and degree of estimation involved in arriving at the valuation.

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Other significant matters

Control deficiencies

We obtain an understanding of internal control to design appropriate audit procedures, but not to express an opinion on the effectiveness of the Group's internal control.

See pages 32-46 for the breakdown of control deficiencies.

Key:

- 🔴 These are significant control deficiencies which increase the likelihood and potential magnitude of a material misstatement in the financial statements. We have identified no significant control deficiencies in the current year.
- 🟡 These are matters of sufficient importance to note such as weaknesses which were subsequently corrected and matters that could be significant in the future if left unaddressed. We have identified 1 of such deficiencies in the current year.
- 🟢 These are less significant weaknesses but which we considered to be of sufficient importance to merit management's attention. We have raised 3 related observations in the current year.

Significant difficulties

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

- We faced difficulties in the valuation of other land and buildings, including:
  - Control deficiency identified in relation to the selection of the BCIS indices (see page 33);
  - Issues with availability of audit evidence to support key data elements of the valuation, such as floor areas (page 29); and
  - It was difficult to ascertain adequate supporting explanations from the internal valuer; in particular the timeliness and quality of responses. There were several delays in receiving responses and corroborating to supporting information from the internal valuer.
- We have not been able to substantiate the Register of Interests in our related parties work as we did not receive a complete list of declarations from management. This was because 6 councillors, and 2 members of the Senior Leadership Team had not completed their declarations at the time of audit.
- There were delays in receiving adequate response in relation to our VFM work, in particular evidence for the approval process that was followed for two exempt key decisions during the year.

These events all led to an increased volume of audit work that was required to gain sufficient assurance, over areas of significant risk for the valuation of land and buildings in particular, to be able to express an opinion on the financial statements.

Quality and timeliness of information prepared by management/those charged with governance

In our view, except for the matters identified above, the quality of information:

- supported our ability to understand key decisions better and obtain sufficient audit evidence
- enabled informed challenge of management decisions
- supported audit quality and better disclosure

Audit misstatements

Management has approved the correction of the audit misstatements detailed on page 30 and they are reflected in the draft financial statements. A summary of the uncorrected audit misstatements is detailed on page 29.

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

- If the uncorrected factual audit misstatements were posted, they would increase the surplus by £499k
- For our views on management estimates – see Page 13 and 14 (Key accounting estimates)
- A detailed summary of corrected and uncorrected audit misstatements and omissions and errors in disclosure is included on pages 29 to 31.

Audit misstatements

	Page
Uncorrected misstatements	29
Corrected misstatements	30
Misstatements in disclosures	31

Types of misstatement

Factual: Misstatements about which there is no doubt

Projected: Our best estimate of misstatements in the audited populations

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

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Group involvement – Significant component audits

We are the Group auditor and the Component auditor for Boston Borough Council.

The components within the scope of our work accounted for 99% of the Group's net expenditure

We did not contact component auditors. The procedures we have performed for the Council, was sufficient to provide assurance at the Group level. We have ensured appropriate evidence was obtained.

Component	Scope Rationale: Individually financially significant	Scope Rationale: Significant due to risk	Scope Rationale: Other	Significant matters discussed with component auditors
Council	✓			Not Applicable. We are the auditors of the Group, and the Council's financial statements.
Public Sector Partnership Services Ltd			✓	Our risk assessment procedures confirmed the associate is not significant to the Group financially and/or due to risk. The Council has reported total interests in PSPS Ltd of £119k. This is below our threshold for Group materiality. Therefore this component is not scoped in for the Group audit, and, as a result, we have not contacted the component auditors.

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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 Audit and Governance 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 **£153,022** plus VAT (£131,050 in 2023/24).

See page 25 for details and status of fee variations.

We have also completed non audit work at the Council during the year on the Housing Benefit Grant Certification and have included on page 27 confirmation of safeguards that have been put in place to preserve our independence.

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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 a risk of significant weakness in the Council's arrangements to secure value for money.

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, and followed up on one Performance Improvement Observations from the prior period, which are suggestions for improvement but not responses to identified significant weaknesses – see pages 21 to 22.

Value for Money: Performance improvement observations

The performance improvement observations raised as a result of our work in respect of value for money arrangements in the current year are as follows:

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

#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date
1	②	**Formal record of discussion and actions for efficiency savings** We have identified an absence of formal recording of discussions and corresponding actions from key meetings that have been held in 2024-25, such as: • Through inquiry with management, we confirmed that a meeting was held with the Cabinet members to discuss savings before the 2024-25 budget was set. A list of potential savings was identified and discussed at this meeting, which was subject to review by the Senior Leadership Team (SLT). We requested evidence of this meeting however no minutes or actions logs have been kept by the Council. • Meetings of the Business and Efficiency Savings meetings are not minuted and therefore not available to review. We confirmed from the agendas of the September 2024 and January 2025 meeting that an item for the savings/efficiency plans is included. However, we did not identify any written record of key decisions and actions taken from these meetings held by the Senior Leadership Team throughout 2024-25. This also means there are no action logs prepared and monitored by the Council in relation to achieving the efficiencies within the long list. Therefore, in the absence of audit evidence, we cannot confirm the efficiency lists are discussed appropriately within the Governance structure of the Council. **Risk** There is a risk that the efficiency lists are not discussed appropriately within the Governance structure. Without a formal record of agreed actions, there is also an increased risk action will not be taken in a timely manner, and this will not be identified by management. **Recommendation** We recommend the Council keeps a formal log for key decisions made in relation to the identification of efficiencies within the budget setting and monitoring process. This should also include action logs which can be monitored on a regular basis.	**Management response and Officer** The Council has adopted a revised approach to preparation of the 2026/27 budget and as part of this officer and Member decisions will be recorded. This will commence from August 2025. **Responsible officer** Director of Finance & Section 151 Officer **Due Date** 31 March 2026

Value for Money: Performance improvement observations

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

#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date	Update as of October 2025
1		**Efficiency Programme 2023-24** For the financial year ended 31 March 2024, the Council did not have a formal efficiency programme in place. The Council did have an efficiency long list that was presented to the Senior Leadership Team (SLT) monthly. This is a long list of potential efficiencies to be explored which are allocated to lead officers. This has been used to identify and report efficiencies during 2023-24, and forward planning into 2024-25. However, for the period of audit, there was not a formal programme in place to effectively identify, RAG rate and monitor efficiencies. Through inquiry with management, the Council have been working to improve this process in 2024-25. **Impact** There is a risk that efficiencies are not effectively identified, RAG rated and monitored, thereby impacting on the Authority's ability to deliver a sustainable financial plan moving forwards. **Recommendation** We recommend this be implemented as soon as possible to ensure any funding gaps in future financial forecasts are offset as far as possible by efficiencies/savings rather than the depletion of reserves. This efficiency programme should incorporate: • the development of plans for how efficiencies will be achieved; • regular monitoring of performance against the required level of efficiencies; • reporting of performance against the required efficiency target to an appropriate committee; and • a process in place for identifying actions where projects are falling behind plan • a RAG rating system to help identify the risk to relevant schemes / plans	**Management Response:** The efficiency monitoring process will be formalised and regularly monitored, with the reporting in the quarterly reports expanded to capture the RAG status. **Responsible Officer:** Strategic Finance Manager **Due Date:** 30 September 2025	**Status: Not implemented** We have observed through attendance at the October 2025 Audit and Governance Committee, the Council had an internal audit review scheduled for the Identification and Monitoring of Savings. However, the internal auditors found there was insufficient controls in place – and was unable to establish sufficient first or second-line controls to test. Therefore, we consider our above recommendation to be not implemented.

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Required communications

Type	Response
Our draft management representation letter	OK — We have not requested any specific representations in addition to those areas normally covered by our standard representation letter for the year ended 31 March 2025.
Adjusted audit differences	OK — There were £2.37m adjusted audit differences which decreased the surplus by £2.37m.
Unadjusted audit differences	OK — The aggregated surplus impact of unadjusted audit differences would be £499k. In line with ISA 450 we request that you adjust for these items. However, they will have no effect on the opinion in the auditor's report, individually or in aggregate. See page 29.
Related parties	OK — There were no significant matters that arose during the audit in connection with the entity's related parties.
Other matters warranting attention by the Audit Committee	OK — There were no matters to report arising from the audit that, in our professional judgment, are significant to the oversight of the financial reporting process.
Control deficiencies	OK — We communicated to management in writing all deficiencies in internal control over financial reporting of a lesser magnitude than significant deficiencies identified during the audit.
Actual or suspected fraud, noncompliance with laws or regulations or illegal acts	OK — No actual or suspected fraud involving Group or Council management, employees with significant roles in group-wide internal control, or where fraud results in a material misstatement in the financial statements identified during the audit.
Issue a report in the public interest	OK — We are required to consider if we should issue a public interest report on any matters which come to our attention during the audit. We have not identified any such matters.

Type	Response
Significant difficulties	X — Significant difficulties encountered during the audit are outlined are page 15.
Modifications to auditor's report	OK — None
Disagreements with management or scope limitations	OK — The engagement team had no disagreements with management, and no scope limitations were imposed by management during the audit.
Other information	OK — No material inconsistencies were identified related to other information in the statement of accounts.
Breaches of independence	OK — No matters to report. The engagement team and others in the firm, as appropriate, the firm and, when applicable, KPMG member firms have complied with relevant ethical requirements regarding independence.
Accounting practices	OK — Over the course of our audit, we have evaluated the appropriateness of the Group'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	OK — The significant matters arising from the audit were discussed, or subject to correspondence, with management.
Certify the audit as complete	X — We are required to certify the audit as complete when we have fulfilled all of our responsibilities relating to the accounts and use of resources as well as those other matters highlighted above, however as noted previously we have not yet received instructions from the WGA 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.

Entity	2024/25 (£'000)	*2023/24 (£'000)*
Scale fee as set by PSAA	153	*131*
Fee variations for 2024/25 approved by PSAA	0	*25.8*
Fee variation for 2024/25 agreed with management but subject to PSAA approval	TBC	*0*
TOTAL	**TBC**	*156.8*

We are in the process of agreeing further fee variations with management and 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.

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Confirmation of Independence

We confirm that, in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and that the objectivity of the Director and audit staff is not impaired.

To the Audit and Risk Committee members

Assessment of our objectivity and independence as auditor of Boston Borough Council

Professional ethical standards require us to provide to you at the planning stage of the audit a written disclosure of relationships (including the provision of non-audit services) that bear on KPMG LLP's objectivity and independence, the threats to KPMG LLP's independence that these create, any safeguards that have been put in place and why they address such threats, together with any other information necessary to enable KPMG LLP's objectivity and independence to be assessed.

This letter is intended to comply with this requirement and facilitate a subsequent discussion with you on audit independence and addresses:

- General procedures to safeguard independence and objectivity;
- Independence and objectivity considerations relating to the provision of non-audit services; and
- Independence and objectivity considerations relating to other matters.

General procedures to safeguard independence and objectivity

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP partners/directors and staff annually confirm their compliance with our ethics and independence policies and procedures including in particular that they have no prohibited shareholdings. Our ethics and independence policies and procedures are fully consistent with the requirements of the FRC Ethical Standard. As a result we have underlying safeguards in place to maintain independence through:

- Instilling professional values.
- Communications.
- Internal accountability.
- Risk management.
- Independent reviews.
- The conclusion of the audit engagement partner as to our compliance with the FRC Ethical Standard in relation to this audit engagement and that the safeguards we have applied are appropriate and adequate

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.

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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 & Time	£33.6*	0

**These are expected fees but are subject to final agreement*

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 0.21: 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	153
Other Assurance Services	33.6
Total Fees	**186.6**

Application of the FRC Ethical Standard 2019

Your previous auditors will have communicated to you the effect of the application of the FRC Ethical Standard 2019. That standard became effective for the first period commencing on or after 15 March 2020, except for the restrictions on non-audit and additional services that became effective immediately at that date, subject to grandfathering provisions.

AGN 01 states that when the auditor provides non-audit services, the total fees for such services to the audited entity and its controlled entities in any one year should not exceed 70% of the total fee for all audit work carried out in respect of the audited entity and its controlled entities for that year.

We confirm that as at 15 March 2020 we were not providing any non-audit or additional services that required to be grandfathered.

Independence and objectivity considerations relating to other matters

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

Confirmation of audit independence

We confirm that as of the date of this letter, in our professional judgment, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the partner and audit staff is not impaired.

This report is intended solely for the information of the Audit and Risk Committee of the Group and should not be used for any other purposes.

We would be very happy to discuss the matters identified above (or any other matters relating to our objectivity and independence) should you wish to do so.

Yours faithfully

KPMG LLP

Uncorrected audit misstatements

Under UK auditing standards (ISA (UK) 260) we are required to provide the Audit & Governance Committee with a summary of uncorrected audit differences (including disclosure misstatements) identified during the course of our audit, other than those which are 'clearly trivial', which are not reflected in the financial statements. In line with ISA (UK) 450 we request that you correct uncorrected misstatements. However, they will have no effect on the opinion in our auditor's report, individually or in aggregate. As communicated previously with the Audit & Governance 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 Property, Plant and Equipment Cr Revaluation Reserve / Movement in reserves statement	£0 (£284k)	£284k	Management used Q2 2025 BCIS figures (i.e. those as at the end of June 2025) rather than Q1 2025 BCIS figures (i.e. those as the end of March 2025). This resulted in £284k understatement of the PPE and revaluation reserve balance.
2	Dr Government Grants and Contributions Cr Trade Payables Cr Movement in Reserves	£82.3k - (£48.8k)	(£33.5k)	The Council has been carrying forward balances from 2020/21 and 2021/22 for payments that were paid in error to unqualifying businesses. A decision was taken in year to transfer the balances to reserves and continue to earmark as Covid grants. As the amount was sat on an agency code kept rolling across the financial years through the accruals mechanism, to remove the amount from the agency code (which would ordinarily net each other off each year), income was credited. However, this is not income and therefore has resulted in an overstatement of income for the year.
3	Dr Property Plant and Equipment Cr Revaluation Reserve / Movement in reserves statement	(248k)	£248k	We identified that the underlying floor areas as per formal floor plan for the PRSA did not agree to the valuation certificate, resulting in a £242k understatement. We identified the total land area for one asset used in the valuation did not agree to the valuation certificate, resulting in a £5.4k understatement.
Total		**(£499k)**	**£499k**	

Corrected audit misstatements

Under UK auditing standards (ISA (UK) 260) we are required to provide the Audit & Governance 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.

We have agreed with management these will be corrected in the final financial statements, however, at the time of writing the final financial statements were not available. Therefore these will be confirmed as updated within our final ISA260, and we will update the Committee if any remain uncorrected by the Council.

Corrected audit misstatements (£'000s)				
No.	**Detail**	**SOCI Dr/(cr)**	**SOFP Dr/(cr)**	**Comments**
1	Dr Revaluation Reserve / Movement in reserves statement Cr Property, Plant and Equipment	£1.485m -	- (£1.485m)	The valuer recognised the land value per acre of the playing fields at Garfitt's Lane at a residential rate. However, our audit procedures confirmed the playing fields in question would never be sold with the capacity for the provision of housing and therefore the land value per acre was overstated by £1.485m.
2	Dr Revaluation Reserve / Movement in reserves statement Cr Property, Plant and Equipment	£1.249m -	- (£1.249m)	The value of 8 Lane Athletics Track was found to be overstated because a 103% inflation rate had been applied as part of the valuation exercise in error, rather than the expected 3% inflationary increase. When recalculating the valuation using the expected 3% inflation increase, this results in a valuation of £9.186m compared to the £10.436m in the valuation report, which is a £1.249m difference.
Total		**£2.374m**	**(£2.374m)**	

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Corrected audit misstatements - Disclosures

Under UK auditing standards (ISA (UK) 260) we are required to provide the Audit & Governance 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.

We have agreed with management these will be corrected in the final financial statements, however, at the time of writing the final financial statements were not available. Therefore these will be confirmed as updated within our final ISA260, and we will update the Committee if any remain uncorrected by the Council.

Audit Misstatements in disclosures		
No.	**Disclosure**	**Comments**
1	Note 33 – Related Parties	We have identified related transactions that were not fully disclosed in the accounts. Management have corrected these in the final version of the financial statements.
2	Note 30 – Remuneration Report	We made an observation to management in order to fully comply with The Code of Local Government Accounting in respect of the disclosures surrounding remuneration of the Section 151 Officer. The Interim Section 151 Officer worked for 16 days in the 24/25 financial year, and as such should have been included in the Remuneration Report for Senior Managers. We also identified the salary figures for senior officer’s were not complete. This was due to the Council including taxable pay instead of gross pay. Whilst the amount is quantitatively immaterial it is considered qualitatively material given the nature of the disclosure.

Control Deficiencies

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

Priority rating for recommendations		
❶ **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.	❷ **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.	❸ **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	❷	**Related Parties Process** **Issue** Our walkthrough of the related party transaction process confirmed that the Council has an appropriate process in place to obtain annual declarations for relevant individuals and to identify related party transactions from said declarations. However, we identified that declarations of interests were not completed and returned for 6 Councillors, and 2 members of the senior leadership team. This includes one (interim) member of the senior management team who subsequently left the Council. We were therefore unable to ensure that all related party transactions were fully disclosed. **Impact** There is a risk that that all reportable related party transactions are not fully disclosed. **Recommendation** Councillors are reminded of their duties to disclose declarations of interest to ensure all declarations are complete for the next financial year.	**Management Response** Outstanding Related Party forms will be followed up by Finance, and then escalated to Group Leaders for a response to be obtained **Officer:** John Medler (Monitoring Officer) **Due Date:** 30/04/2026

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Control Deficiencies

#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date
2	3	**Application of BCIS figures in the DRC Valuations of Land and Buildings** **Issue** Relevant land and buildings are valued to 'as at' the end of the financial year being 31st March 2025. Through inquiry, we identified that the BCIS figures used as part of the valuation, an assumption input into DRC valuations, were forecasted values to the end of June 2025 rather than the BCIS figures as at 31st March 2025. **Impact** The size of the land and buildings balance is material. Therefore, although we don't expect significant changes in the BCIS index on a quarterly basis, there is a risk that a change in the BCIS used could materially affect the valuation outcome of land and buildings. We tested the whole balance of DRC valued assets and we identified a difference of £284k. We have raised an audit difference on page 29. **Recommendation** BCIS figures as at 31st March of the year-end under audit should be used to ensure accuracy of the valuation exercise.	**Management Response** Agreed **Officer** Internal Valuer **Due Date** 31 March 2026

Control Deficiencies

#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date
3	3	**Internal Valuer within the SELCP** **Issue** Inspection of the valuation report and valuation certificates shows that there is one individual responsible for all of the valuation of land and buildings, and investment properties across all three Council's in the South East Lincolnshire Partnership. This valuer is the only RICS qualified valuer involved in the valuations. Therefore, there's no formal review from a RICS qualified valuer. We note that the finance team does perform a review of the portfolio, but the reviewer is not RICS qualified, and we have not observed any challenge of the underlying methods or assumptions. Therefore, we have raised a deficiency for the fact: • There is an absence of an effective review control over the work of the valuations performed by the internal valuer; • There is not a counter signatory on the valuation report who is also RICS qualified; and • The portfolio is varied in the nature of assets and it is therefore difficult for one valuer to maintain accurate information and specialism across all assets – along with being the sole RICS valuer for the other two Council's in the South East Lincolnshire Partnership. **Impact** Absence of a counter-signatory who is also RICS qualified increases the risk the application of specialised valuation methodology is incorrectly applied and the selection of assumptions that require specialist judgement are inappropriate. The absence of a formal management review control at the Council increases the risk material misstatements would go undetected. **Recommendation:** The Council considers adding additional support to the existing valuer to provide further assurance over the valuations.	**Management Response** This recommendation has not been accepted by management. The Council notes this position but has chosen to tolerate the risk.

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Control Deficiencies

#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date
4	❸	**Provision for External Fee Applied to DRC Buildings valuation** **Issue** In line with the Depreciated Replacement Cost valuation method, the methodology allows for an inclusion of cost for external works which is based on a percentage of the build costs for the building itself. We inspected the valuation report and certificates, and inquired directly with the valuer. We identified the external area cost of 15% was applied on all DRC assets regardless of the size of the external area or the type of external area required for operation of the asset (e.g. car parks, paths, public area). We would expect the external fee applied to be specific and reflect the nuances of each, or groups of, DRC assets. **Impact** We identified, on review, that most assets were optimistic in terms of the approach to external fees, but overall fell within our acceptable range. We have considered this as part of the valuation of land and buildings finding on page 13. **Recommendation:** The Internal Valuer reviews the provision for external areas and ensures the provision is adjusted to reflect the size and use of the external areas attributed to each DRC asset.	**Management Response** This recommendation has not been accepted by management.

Control Deficiencies (previous years audit)

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

Total number of recommendations	Number of recommendations implemented	Number outstanding (repeated below):
10	6	4*

*Included within the number actions outstanding is two recommendations which have been partially implemented. Please refer the status explanations in the following pages.

Control Deficiencies (previous years audit)

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

#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date	Current Status (November 2025)
1	2	**Preparation of bank reconciliations** Bank Reconciliations have not been completed on a timely basis throughout the year. The General Fund Reconciliation at the year-end was performed and reviewed in August 2024. We would expect the year-end bank reconciliation to be prepared and reviewed within one month after the year-end in April 2024. **Impact** There is a risk that errors are identified in a timely manner, leading to unidentified misstatements within the financial results of the Council. During the course of our audit, reconciling items of £279k were identified to have been incorrectly omitted from the financial statements. Timely preparation of the bank reconciliation would have identified these differences and enabled correction in the first version of draft financial statements. **Recommendation** We recommend the bank reconciliations form part of month-end closedown procedures and they are prepared and reviewed within the month after to the period they relate	**Management Response:** 4 of the 5 bank reconciliations are now up to date as at the end of September 2024. The outstanding reconciliation is being dealt with as a priority and going forward they will all be completed and signed off monthly. **Responsible Officer:** Deputy Chief Finance Officer (Corporate) – PSPS Due Date: 31 October 2024	**Status: Partially Implemented** While we did note significant improvements in the bank reconciliation process at year-end, on review of the December 2024 reconciliation, we identified a number of items which related to prior years where queries were outstanding. We identified items which had been reconciled but not matched on the system totalling up to £86 million in relation to CHAPS and Direct Debit payments which had been made by the Council but not yet matched due to staff absences within the AP team. We would have expected the queries to be resolved by the December 2024 reconciliations as the entity started preparing reconciliations in August 2024. We do, however, note that these were resolved at 31 March 2025 (the year-end).. **Management Response:** The £86m mainly relates to investments placed, and a new process is now in place, whereby Treasury prepare an upload to the ledger on a weekly basis to ensure the ledger accurately reflects the bank position.

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Control Deficiencies (previous years audit)

#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date	Current Status (November 2025)
2	2	**Data used in the valuation of other land and buildings** Through inquiries we became aware the floor areas used by the internal valuer as a direct input into the valuation calculation were not consistently supported by corresponding floor plans for every asset being valued. This highlights a weakness in the availability of information when preparing the valuation and increases the risk of valuations being misstated due to incorrect data inputs. This also highlights an absence of challenge in management's review control of the valuation certificates in terms of validating the data used. **Impact** Due to the nature of the valuation process, changes in the floor area data used can result in a misstatements in the valuation being recorded in the financial statements. This has resulted in a delay to the audit testing of the floor areas of land and buildings, as the internal valuer has had to re-perform the measurements for a sample of assets so appropriate audit evidence can be obtained. **Recommendation** We recommend management performs a validation exercise in advance of the next annual valuation to ensure the all floor areas are supported by accurate floor plans, such as CAD plans, and that these have been measured in line with RICS guidance.	**Management Response:** A validation process is in hand for 31 March 2025. **Responsible Officer**: Andy Fisher **Due Date**: 31 March 2025	**Status: Partially Implemented.** We identified 1 floor plan out of the sample of 15 which still did not have a floor plan to support the valuation. We also identified that the Princess Royal Sports Arena floor plan did not match the valuation certificate as well as one other, resulting in a 248k understatement of the asset. We note significant improvement in this process since the prior year, but we would expect all valuations, where the floor area is an input in this valuation, to be supported be adequate floor plans.

Control Deficiencies (previous years audit)

#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date	Current Status (November 2025)
3	2	**Posting of journals** Throughout our audit we identified the following journals: 1. The entity has paid off it's PWLB debt in year. This was paid at the start of October 2023. However, the journal wasn't posted until January 2024, which we identified when we tried to agree the corresponding journals to the ledger as part of our risk assessment procedures. 2. 2. As part of our payroll walkthroughs, we identified that the net pay journal for the December 2023 payroll had not yet been posted as of March 2024, and, as such, we were not able to vouch the total net pay to the ledger at the time of our testing. 3. 3. As part of our month-on-month analysis of Council Tax and NNDR income transaction listing up to Month 9 (April 2023-December 2023) we only identified journals posted in April 2023 and October 2023. This was due to reconciliations not being performed between the Capita system and the GL system on a timely basis which has resulted in journal entries not being posted throughout the year in these areas. The Council relies on the information within Capita for income balances in relation to these values. **Impact** There is greater risk of error, or omission of key journals being posted if they are not performed in a timely manner. Recommendation We recommend journals are posted and approved in the same month to which they relate.	**Management Response:** 1. This was a new transaction that the Council had not undertaken before. The required accounting treatment was confirmed through liaison with the Council's external Treasury advisors, and for which a new code had to be set up in the system, before this journal could be posted. 2. The net pay journal was posted as part of the work on the bank reconciliation – these are now being posted monthly, when the payroll BACS file has been processed. 3. Work was undertaken to establish the postings required due to a change in officer responsibility – these are now up to date and undertaken monthly. We understand the importance of ensuring the ledger is updated accurately and in a timely manner, and tighter controls are in place to ensure such issues do not re-occur. Journals are approved and posted in the same month to which they relate. Responsible Officer: Deputy Chief Finance Officer (Corporate) – PSPS Due Date: 31 October 2024.	**Status: Implemented.** We did not identify any journals that had been delayed in being posted during the financial year.

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Control Deficiencies (previous years audit)

#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date	Current Status (November 2025)
4	2	**Year-end Accrual Process** Through our audit procedures for expenditure cut-off and other service expenditure testing, we identified weaknesses in the year-end accrual process: • We identified £69k of expenditure in the 2023-24 listing that related to 2022-23 and which had not been appropriately accrued in the prior year resulting in an overstatement of expenditure in 2023-24. This expenditure was known at the year-end of March 2023 as a payment requisition was raised prior to 31 March 2023 for £33k of this total spend. • We identified £126k of expenditure that related to 2023-24 which had not been accrued for at the year-end and instead was recorded in 2024-25, resulting in an understatement of expenditure in 2023-24. This wasn't identified by the capital team at the year-end. The invoice was entered onto UNIT4 on 22/05/2024 with the capital cleardown for Boston taking place on 09/05/2024. We would expect an estimate of expected costs to be identified at year-end given the Council had commissioned these services. **Impact** We have identified audit misstatements as a result of the above weakness in internal control. The errors identified show errors of understatement and overstatement of expenditure in 2023-24. **Recommendation** We recommend guidance is shared with the Budget Managers for accounting for estimates and costs during the year-end closedown procedures where an invoice has not yet been received	**Management Response:** Responsibility lies with the Budget Manager to ensure that the value of goods and services received or provided is accounted for in the appropriate financial year. Budget Managers have access to their financial information to assist in identifying any required accruals, and the Finance Team supports with this. Training will be delivered to Budget Managers prior to year end 24/25 alongside the annually published year end guidance. **Responsible Officer:** Head of Finance Delivery (PSPS) **Due Date:** 31 March 2025	**Status: Not implemented.** As part of our walkthrough processes, we selected a re-charge transaction to SHDC. Inspecting the underlying detail for the re-charge showed that the invoice was for 33 users for May 2024 to May 2025. At year-end, we inquired with management whether this had been accrued correctly and they had not. There is therefore a deficiency in management's review of the accruals balance to ensure that the accruals balance at year-end is complete. **Management Response:** The training will be conducted again for 25/26 and Finance will produce the guidance (year end memo). By their very nature, there is a risk that accruals could get missed, but processes are in place to ensure this is mitigated where possible.

Control Deficiencies (previous years audit)

#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date	Current Status (November 2025)
5	2	**Related Party Disclosure Process** Our walkthrough of the related party transaction process confirmed that the Council has an appropriate process in place to obtain annual declarations for relevant individuals and to identify related party transactions from said declarations. The Code of Practice on Local Authority Accounting 2023-24 allows the Council to make a judgement on materiality when disclosing transactions with related parties. However, upon further investigation we identified the Council does not have a formal policy that outlines the threshold of materiality, and the threshold applied was not disclosed within the financial statements to inform users of the approach applied. **Impact** The lack of an approved formal policy for the materiality threshold also increases the risk this will be inconsistently applied year-on-year. **Recommendation** We recommend a policy is produced for applying materiality to the related party disclosure and this is approved by the Council or relevant sub-committee of the Council in advance of the next annual declaration process.	**Management Response:** An approved approach on the disclosure threshold will be agreed for 24/25 with the S151 Officer. **Responsible Officer:** Deputy Chief Finance Officer (Corporate) – PSPS **Due Date:** 31 March 2025	**Status: Implemented** The Council has included the following as part of their related parties note: "The Council has chosen not to disclose these transactions as they are below £10,000 and are therefore deemed to be immaterial."

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Control Deficiencies (previous years audit)

#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date	Current Status (November 2025)
6	3	**Review of other system reconciliations** We identified that whilst reconciliations between the General Ledger and Capita systems used for key business service lines (e.g. Council Tax, Business Rates and Benefit expenditure) had been prepared by a Finance Manager (Corporate), there was no review on a timely basis. We identified that payroll reconciliations relating to the 2023-24 financial year were not completed until the start of September 2023 and that the review of these payroll reconciliations remained ineffective at the time of audit in February 2024. **Impact** There is a greater risk of error to information recorded in the ledger if reconciliations are not performed and reviewed on a on a timely basis. **Recommendation** We recommend that reconciliations form part of month-end closedown procedures and they are prepared and reviewed in the month after to the period they relate.	**Management Response:** All relevant reconciliations to other systems are now being undertaken on a monthly basis, signed off by the appropriate manager and any queries raised are being followed up to ensure a suitable conclusion. Specifically, the payroll reconciliations are being completed and reviewed monthly, and monthly meetings with the Payroll team are also being held to resolve any outstanding queries. **Responsible Officer**: Deputy Chief Finance Officer (Corporate) – PSPS **Due Date:** 31 October 2024	**Status: Partially implemented** There was significant improvement in the reconciliations performed across the business processes within the Council, particularly in the Business Rates and Payroll reconciliations, in which we found no issues. However, as part of our walkthrough over the November 2024 Council Tax reconciliation, there were reconciling items in Academy which were -£40k in November and £40k in December which related to Direct Debits returned on Academy but not in Unit 4. Whilst these are not material, and are clearly trivial, the reconciling items are not being investigated and addressed in a timely manner. **Management response:** Reconciliations continue to be completed and queried with the relevant departments on a monthly basis – we will ensure follow ups are undertaken in a timely manner

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Control Deficiencies (previous years audit)

#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date	Current Status (November 2025)
7	3	**Lack of formalised impairment provision policy** Through our risk assessment of expected credit losses, we identified that there was no formal impairment provision policy in place that informed how and why the Council were impairing its debtors. While the reasoning for the impairments tested were logical, the lack of formal policy increases the risk of debtors not being appropriately impaired. To caveat, the Section 151 Officer approved the impairment provision included within the financial statements, but this did not appear to be a formal approval or review of the key assumptions that informed the bad debt provision. **Impact** Lack of formalised policies increases the likelihood of inconsistent application year-on-year. This could result in increased error, or provide the opportunity for fraud. **Recommendation** We recommend management produce a formal policy outlining the impairment approach.	**Management Response:** The impairment provision approach will be document as part of the accounting policies in preparation for the 24/25 year end accounts process. **Responsible Officer:** Deputy Chief Finance Officer (Corporate) **Due Date:** 31 March 2025	**STATUS: Implemented**

Control Deficiencies (previous years audit)

#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date	Current Status (November 2025)
8	3	**Refresh of Financial Policies** Throughout the audit, we have identified certain policies are outdated or did not exist. 1. The Council has a draft Anti-Fraud and Corruption Policy dated May 2018. We were unable to obtain a final version of this policy. 2. We identified the Scheme of Delegation was outdated, and referred to incorrect names against their roles. This policy refers to the structure before the South & East Lincolnshire Councils Partnership (SELCP) was formed. Management later provided us with a supplement that was presented to the full Council on 27 September 2021 that outlined the proposed amendments to the Constitution as a result of the Partnership with South Holland District Council and East Lindsey District Council. Due to the time that lapsed between receiving the supplement (September 2024) and our initial request (February 2024) we are not satisfied this supplement is readily available to staff. **Impact** Lack of formalised policies increases likelihood of inconsistent application year-on-year. This could result in increased error, or provide the opportunity for fraud. **Recommendation** 1. We recommend management undertakes a refresh of the Anti-Fraud and Corruption Policy; 2. We recommend management sign posts the updated Scheme of Delegation on the staff intranet so it is easily available for staff to find, and the Constitution is updated to reflect the supplement of changes that was presented to the Council on 27 September 2021.	**Management Response:** 1. Minor amendments are currently being made to the Anti Fraud and Corruption Policy, it will then be re-published on the Council's website. A full review of this policy has commenced with the support of Internal Audit. 2. The updated Scheme of Delegation is now published in part 3a of the Constitution, and will be signposted on the Intranet. **Responsible Officer:** Assistant Director Governance **Due Date:** 1. 31 March 2025 2. 31 October 2024	**Status: Implemented** 1. The Anti-Fraud and Corruption Policy is now dated October 2024. 2. There is now an updated Scheme of Delegation

Control Deficiencies (previous years audit)

#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date	Current Status (November 2025)
9	3	**IFRS 16 Transition Plan** The Council plans to implement the new lease accounting standard, IFRS 16, effective April 1, 2024. A review of the IFRS 16 pre-transition disclosures in the draft financial statements revealed that management has only included qualitative disclosures, without providing quantitative impact information. According to IAS 8, the disclosure should include a discussion of the estimated impact the introduction of new standards will have on the financial statements. If a reasonable estimate cannot be made due to data limitations, this fact should be disclosed. While the lack of quantitative disclosures in the 2023-24 financial statements is not considered an omission, given the standard's effective date of April 1, 2024, it is expected that management should be well advanced in their quantitative impact assessment for the 2024-25 financial statements. **Impact** There is a risk that delaying this assessment could lead to errors, insufficient review time, and potentially material misstatements. Management should ensure that the quantitative impact assessment is scheduled and completed promptly, allowing sufficient time for review and challenge before posting transition adjustments. **Recommendation** We recommend management prepare an implementation plan and this is reviewed by an appropriate member of staff.	**Management Response:** The plan for implementation of IFRS 16 is currently in progress, although an initial review of the Council’s arrangements indicates this will not have a material impact. **Responsible Officer:** Deputy Chief Finance Officer (Corporate) **Due Date:** 31 March 2025	**Status: Implemented** IFRS 16 was implemented from 1st April 2024. From our testing we did not identify any issues in relation to the leases note.

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Control Deficiencies (previous years audit)

#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date	Current Status (November 2025)
10	3	**Income information provided to the valuer** The valuer uses annual rental income as a direct input in the valuation of land and buildings valued using fair value in use. As part of our information testing to confirm the completeness and accuracy of such data, we identified an absence of a quality review process of the income figures used by the valuer. This meant the income figures used by the valuer could not easily be reconciled to supporting audit evidence. **Impact** This has resulted in an audit misstatement of the valuation being understated by £81k, this can be seen in the list of uncorrected misstatements on page 29. **Recommendation** We recommend that as part of the valuation process management reviews the income data relied upon by the valuer to ensure it is complete and accurate for the purpose of the valuation.	**Management Response:** The income figures used by the valuer will be provided directly from the ledger and any assumptions to adjust these for use within the valuations will be clearly evidenced. **Responsible Officer:** Deputy Chief Finance Officer (Corporate) – PSPS **Due Date:** 31 March 2025	**Status: Implemented** Car parking data has been derived directly from the General Ledger in 24/25. We are satisfied that this has been sufficiently 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 thematics 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 continue 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 it's 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.

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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

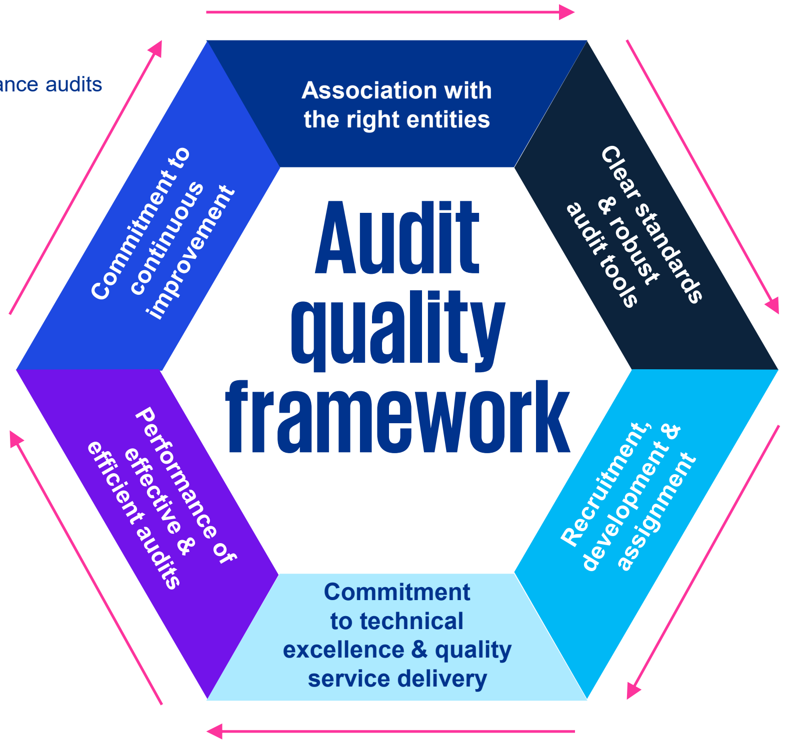
- Comprehensive effective monitoring processes
- Significant investment in technology to achieve consistency and enhance audits
- Obtain feedback from key stakeholders
- Evaluate and appropriately respond to feedback and findings

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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