



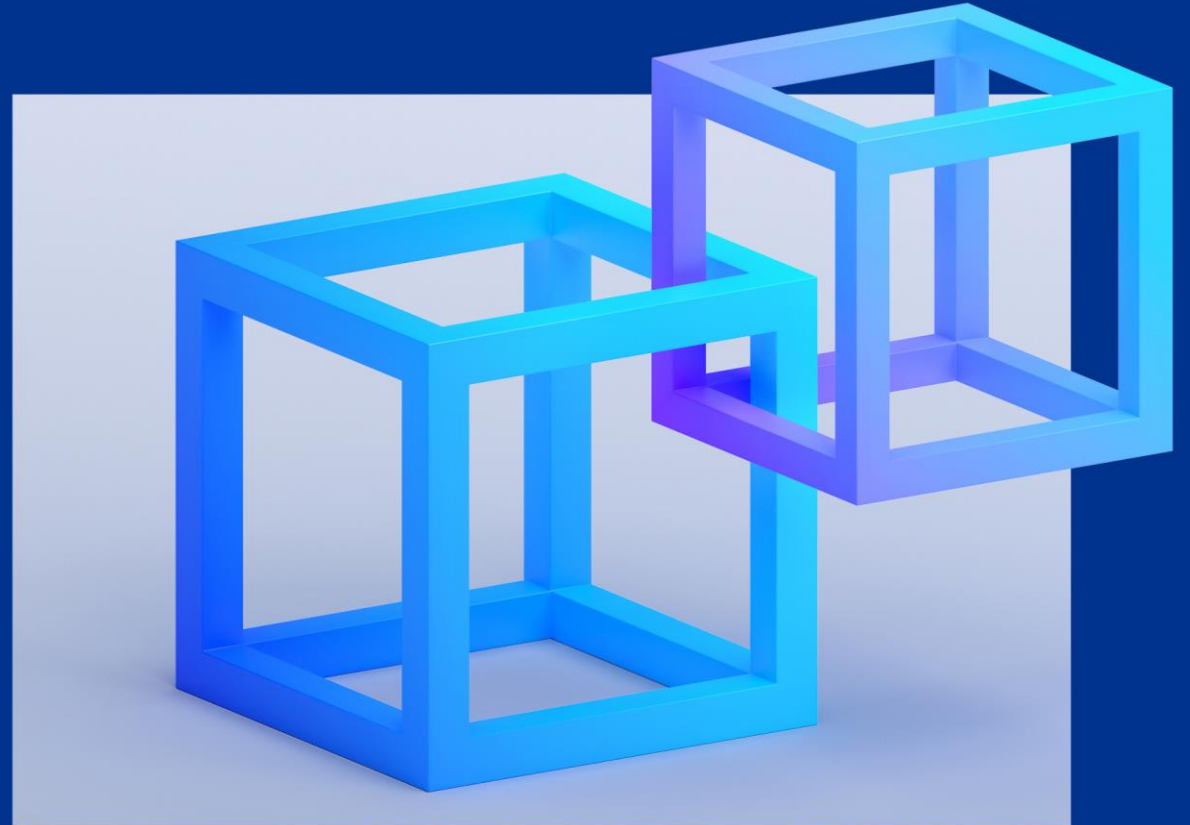
# Boston Borough Council

Report to the Audit and Governance Committee

External audit plan and strategy for the year ending 31  
March 2026

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30 March 2026



# Introduction

To the Audit & Governance Committee of Boston Borough Council

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

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

This report outlines our risk assessment and planned audit approach.

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

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## The engagement team

James Boyle, ACA, is the Engagement Director on the audit. He has over 15 years' of audit experience.

James shall lead the engagement and is responsible for the audit opinion.

Other key members of the engagement team include Rosie Kelly (Engagement Manager), Carter Burnell and Joe Bugg (Assistant Managers) with 10 years' and 3 years' of experience respectively.

Yours sincerely,



James Boyle

30 March 2026

## Restrictions on distribution

This report is intended solely for the information of those charged with governance of Boston Borough Council and the report is provided on the basis that it should not be distributed to other parties; that it will not be quoted or referred to, in whole or in part, without our prior written consent; and that we accept no responsibility to any third party in relation to it.

## How we deliver audit quality

Audit quality is at the core of everything we do at KPMG and we believe that it is not just about reaching the right opinion, but how we reach that opinion. We consider risks to the quality of our audit in our engagement risk assessment and planning discussions.

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

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

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

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



# Overview of planned scope including materiality

## Our materiality levels

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

We considered qualitative factors such as the business environment and lack of shareholders when determining materiality for the financial statements as a whole.

To respond to aggregation risk from individually immaterial misstatements, we design our procedures to detect misstatements at a lower level of materiality, £1.05m for the Council and £1.08m for the Group (75% of materiality), driven by our expectations of a normal level of undetected or uncorrected misstatements in the period. We would also adjust this level further downwards for items that may be of specific interest to users for qualitative reasons

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

- Corrected and uncorrected audit misstatements above £70k for the Council and £72k for the Group.
- Errors and omissions in disclosure (corrected and uncorrected) and the effect that they, individually and in aggregate, may have on our opinion.
- Other misstatements we include due to the nature of the item.

## Control environment

The impact of the control environment on our audit is reflected in our planned audit procedures.

## Group and Parent Materiality

	Group*	Parent (Council)
Materiality for the financial statements as a whole	<b>£1.44m</b> (2.79% of forecast group expenditure)  (2024/25: £1.21m 2.37% of actual group expenditure)	<b>£1.4m</b> (2.72% of forecast expenditure)  2024/25: £1.2m 2.35% of actual expenditure)
Procedure designed to detect individual errors at this level	<b>£1.08m</b> (2024/25: £907k)	<b>£1.05m</b> (2024/25: £900k)
Misstatements reported to the Audit and Governance Committee	<b>£72k</b> (2024/25: £60.5k)	<b>£70k</b> (2024/25: £60k)

*\*To date, we have calculated planned materiality for the Group financial statements based on the forecasted parent expenditure for 2025-26 plus actual figures for other components as at 2024-25. This is because the entity does not currently produce a consolidated forecast position for the year-ended 31 March 2026.*

# Overview of planned scope including materiality (cont.)

## Timing of our audit and communications

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

- We formally debriefed with management in December 2025 to reflect on the 2024/25 audit, and agree audit timings for the 2025/26 audit cycle;
- We had a formal kick-off meeting with management in January 2026 where we discussed the indicative nature, scope and timing of our audit procedures;
- We have presented our audit plan and strategy including our value for money risk assessment commentary to the Audit and Governance Committee in April 2026;
- Status meetings with management throughout the year where we communicate progress on the audit, any misstatements, control deficiencies and significant issues.

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

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

Others	Extent of planned involvement or use of work
<b>Internal Audit</b>	<p>We will review the work of Internal Audit as part of our risk assessment procedures but will not place reliance on their work.</p> <p>We meet with Internal Audit colleagues annually to complete our mandatory inquiries.</p>
<b>KPMG Pensions Centre of Excellence</b>	<p>We plan to use our KPMG Pensions Centre of Excellence to assist us in considering the appropriateness of the key assumptions used in deriving the pension asset and liability balances reported in the financial statements.</p>

# Significant risks, higher assessed risks and other audit risks

Our risk assessment draws upon our understanding of the applicable financial reporting framework, 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 Internal Audit reports.

Our planning and risk assessment procedures are iterative. Therefore, where any changes are identified that impact on our assessment of the significant risks at the entity, we will amend our audit approach accordingly and communicate this to the Audit and Governance Committee.

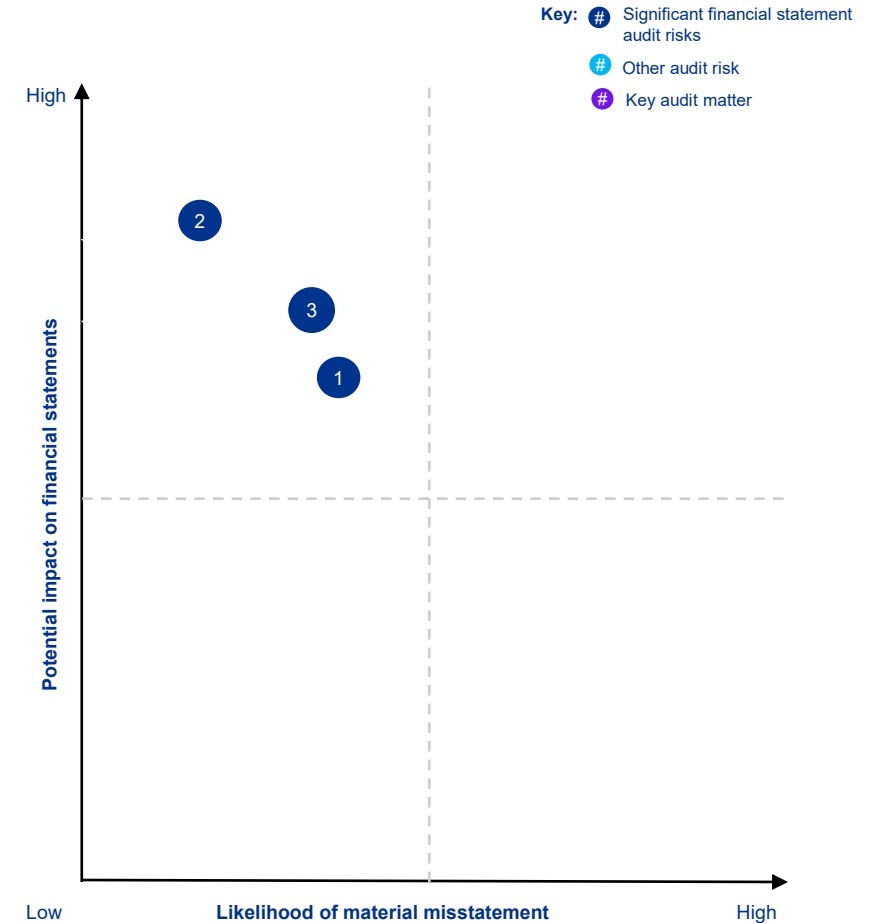
## Value for money

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

We have outlined the result of our risk assessment procedures on page 17.

## Significant risks

1. Valuation of land and buildings (other land and buildings valued using DRC model)
2. Management override of Controls
3. Valuation of post retirement benefit obligation



# Audit risks and our audit approach

1

## Valuation of land and buildings ('Other Land and Buildings' valued using the DRC model)

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

Change vs prior year



### Significant audit risk

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

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

The Council undertook a full revaluation of 'Other Land and Buildings' as at 31 March 2025. For the year-ended 31 March 2026, management is planning to implement a five-year rolling basis valuation (valuing approx. 20% of the assets in 2025/26) and indexing the remainder. The assets to be valued will be selected by management, however, the valuations and indexation will be undertaken by the internal valuer.

As at 31 March 2025, the value of the Council's 'Other Land and Buildings' was £35.12m, of which £30.18m were valued using the DRC model, which is where we are focussing our significant risk. We anticipate at least £7m of these assets to be revalued as part of the 2025/26 cycle. Due to the level of estimation uncertainty associated with the obsolescence and external fee assumption used by the valuer, this creates a significant risk of error that the year-end carrying value of these assets differs materially from their fair value.

As this is the first year of the change, there is a significant risk assets may be misstated due to the estimation uncertainty resulting from the selection of inappropriate indices also.



### Planned response


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

- We will critically assess the independence, objectivity and expertise of the internal valuer used in developing the valuation of the Council's relevant 'Other Land and Buildings' as at 31 March 2026;
- We will inspect the instructions issued to the valuers for the valuation of relevant 'Other Land and Buildings' to verify that they are appropriate to produce a valuation consistent with the requirements of the CIPFA Code;
- We will evaluate the design and implementation of controls in place for management to review the valuation, and the appropriateness of relevant assumptions used;
- We will challenge the appropriateness of the valuation of relevant 'Other Land and Buildings', including any material movements from the previous revaluations;
- We will challenge the appropriateness of key significant assumptions used within the valuation; and
- Disclosures: We will consider the adequacy of the disclosures concerning the key judgements and degree of estimation involved in arriving at the valuation

# Audit risks and our audit approach (cont.)

## 2 Management override of controls(a)

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

Change vs prior year 



### Significant audit risk

- Professional standards require us to communicate the fraud risk from management override of controls as significant.
- Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.
- We have not identified any specific additional risks of management override relating to this audit

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



### Planned response

- Our audit methodology incorporates the risk of management override as a default significant risk.
- Assess accounting estimates for biases by evaluating whether judgements and decisions in making accounting estimates, even if individually reasonable, indicate a possible bias.
- Evaluate the selection and application of accounting policies.
- In line with our methodology, evaluate the design and implementation of controls over journal entries and post-closing adjustments.
- Assess the appropriateness of changes compared to the prior year to the methods and underlying assumptions used to prepare accounting estimates.
- Assess the business rationale and the appropriateness of the accounting for significant transactions that are outside the Council's normal course of business or are otherwise unusual.
- We will analyse all journals through the year and focus our testing on those with a higher risk, as defined by our high-risk criteria.

# Audit risks and our audit approach (cont.)

3

## Valuation of post retirement benefit obligations

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

Change vs prior year



### Significant audit risk

- The valuation of the post retirement benefit obligations involves the selection of appropriate actuarial assumptions, most notably the discount rate applied to the scheme liabilities, inflation rates and mortality rates. The selection of these assumptions is inherently subjective and small changes in the assumptions and estimates used to value the Council's pension liability could have a significant effect on the financial position of the Council.
- The actuary will take account of the results of the new triennial valuation as at 31 March 2025 for accounting as at 31 March 2026. This means re-basing their estimate models to allow for actual experience since 2022, which could result in corrections to the defined benefit obligation and asset valuations this year. It also updates the contributions payable, which could have an impact on the assessment of the asset ceiling applying to the Council.
- The effect of these matters is that, as part of our risk assessment, we determined that post retirement benefits obligation has a high degree of estimation uncertainty. The financial statements disclose the assumptions used by the Council in completing the year end valuation of the pension deficit and the year-on-year movements.
- We have identified this in relation to the following pension scheme membership: Local Government Pension Scheme



### Planned response

We will perform the following procedures:

- Understand the processes the Councils] have in place to set the assumptions used in the valuation;
- Evaluate the competency, objectivity of the actuaries to confirm their qualifications and the basis for their calculations;
- Perform inquiries of the actuaries to assess the key assumptions made;
- Evaluate the design and implementation of controls in place for the Council to determine the appropriateness of the assumptions used by the actuaries in valuing the liability;
- Challenge, with the support of our own actuarial specialists, the key assumptions applied, being the discount rate, inflation rate and mortality/life expectancy against externally derived data;
- Consider the adequacy of the Council's disclosures in light of the updated information and change of contributions following the completion of the funding valuation, and assess the sensitivity of the deficit or surplus to the assumptions made;
- Where applicable, assess the level of surplus that should be recognised by the entity;

# Audit risks and our audit approach

## Expenditure – rebuttal of Significant Risk

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

Having considered the risk factors relevant to the Council and the nature of expenditure within the Council, we have determined that a significant risk relating to expenditure recognition is not required.

Specifically, despite the Council submitting a balanced budget ahead of the financial year, in the Quarter Two Finance Report (six months ended September 2025), the forecasted deficit is £571k

Given the Council is forecasting a small deficit, we do not consider this to be indicative of a position that would provide an incentive to manipulate expenditure recognition, and the nature of expenditure has not identified any specific opportunities and/or risk factors to facilitate the manipulation of expenditure recognised.

# Audit risks and our audit approach

## Revenue – Rebuttal of Significant Risk

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

Description of Income	Nature of Income	Rationale for Rebuttal
<b>Council tax</b>	This is the income received from local residents paid in accordance with an annual bill based on the banding of the property concerned.	The income is highly predictable and is broadly known at the beginning of the year, due to the number of properties in the area and the fixed price that is approved annually based on a band D property. It is highly unlikely for this balance to be subject to fraudulent financial manipulation.
<b>Business rates</b>	Revenue received from local businesses paid in accordance with an annual demand based on the rateable value of the business concerned.	The income is highly predictable and is broadly known at the beginning of the year, due to the number of businesses in the area and the fixed amount that is approved annually. It is highly unlikely for this balance to be subject to fraudulent financial manipulation.
<b>Fees and charges</b>	Revenue recognised from receipt of fixed fee services, in line with the fees and charges schedules agreed and approved annually.	The income stream represents high volume, low value sales, with simple recognition. Fees and charges values are agreed annually. We do not deem there to be any incentive or opportunity to manipulate the income.
<b>Grant income</b>	Predictable income receipted primarily from central government, including for housing benefits.	Grant income at a local authority typically involves a small number of high value items and an immaterial residual population. These high value items frequently have simple recognition criteria and can be traced easily to third party documentation, most often from central government source data. There is limited incentive or opportunity to manipulate these figures.
<b>Other Income</b>	This income is made up of various high volume but low value income streams including car parking income, rental income, green waste collection income, planning income etc.	From our initial analysis based on the transaction listing up to month 8 (30/11/2025), most of this income is supported by sales invoice and cash receipt. These streams have simple recognition criteria and can be traced easily to cash receipt. Due to the individual transactions being high volume and low value, we anticipate that it is highly unlikely for there to be a significant fraud risk in the population due to the lack of opportunity to manipulate the income.

# Group involvement – Nature of our planned involvement in the work of component auditors

The table below provides an overview of those components that are most significant to the group and the nature of our planned direction, supervision and review of the work of component auditors.

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. The procedures we will perform for the Council are sufficient to provide assurance at the Group level. We will ensure appropriate evidence is obtained. We will revisit our Group risk assessment when we receive draft consolidated financial statements for 2025-26, and individual draft financial statements for the components.

Component	Individually financially significant	Significant due to risks	Other	Significant matters to be discussed with component auditors
Council	✓			Not applicable. We are the auditors of the Group, and the Council’s financial statements
Public Sector Partnerships (PSPS)			✓	Our risk assessment procedures confirmed the associate is not significant to the Group financially and/or due to risk. The Council reported total interests in PSPS Ltd in 2024/25 of £240k. We do not anticipate a significant increase in 2025/26. Therefore, this is expected to be below our threshold for Group materiality. This component is not scoped in for the Group audit, and, as a result, we will not contact the component auditors.

# Mandatory communications - additional reporting

## Going concern






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

## Additional reporting

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

 Work is completed throughout our audit and we can confirm the matters are progressing satisfactorily	 We have identified issues that we may need to report	 Work is completed at a later stage of our audit so we have nothing to report
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We have summarised the status of all these various requirements at the time of planning our audit below and will update you as our work progresses:

Type	Status	Response
Our declaration of independence		No matters to report. The engagement team and others in the firm, as appropriate, have complied with relevant ethical requirements regarding independence.
Issue a report in the public interest		We are required to consider if we should issue a public interest report on any matters which come to our attention during the audit. We have not identified any such matters to date.
Provide a statement to the NAO on your consolidation schedule		This “Whole of Government Accounts” requirement is fulfilled when we complete any work required of us by the NAO.
Provide a summary of risks of significant weakness in arrangements to provide value for money		We are required to report significant weaknesses in arrangements. Work to be completed at a later stage.
Certify the audit as complete		We are required to certify the audit as complete when we have fulfilled all of our responsibilities relating to the accounts and use of resources as well as those other matters highlighted above.

# Mandatory communications

Type	Statements
<b>Management’s responsibilities (and, where appropriate, those charged with governance)</b>	<p>Prepare financial statements in accordance with the applicable financial reporting framework that are free from material misstatement, whether due to fraud or error.</p> <p>Provide the auditor with access to all information relevant to the preparation of the financial statements, additional information requested and unrestricted access to persons within the entity.</p>
<b>Auditor’s responsibilities</b>	<p>Our responsibilities set out through the NAO Code (communicated to you by the PSAA) can be also found on their website, which include our responsibilities to form and express an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.</p>
<b>Auditor’s responsibilities – Fraud</b>	<p>This report communicates how we plan to identify, assess and obtain sufficient appropriate evidence regarding the risks of material misstatement of the financial statements due to fraud and to implement appropriate responses to fraud or suspected fraud identified during the audit.</p>
<b>Auditor’s responsibilities – Other information</b>	<p>Our responsibilities are communicated to you by the PSAA and can also be found on their website, which communicates our responsibilities with respect to other information in documents containing audited financial statements. We will report to you on material inconsistencies and misstatements in other information.</p>
<b>Independence</b>	<p>Our independence confirmation at page 32 discloses matters relating to our independence and objectivity including any relationships that may bear on the firm’s independence and the integrity and objectivity of the audit engagement director and audit staff.</p>



# Boston Borough Council

## Value for money risk assessment

### Our approach

Year ended 31 March 2026

30 March 2026

# Value for money

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

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

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

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

## Risk assessment processes

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

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

## Reporting

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

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

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

### Financial sustainability

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

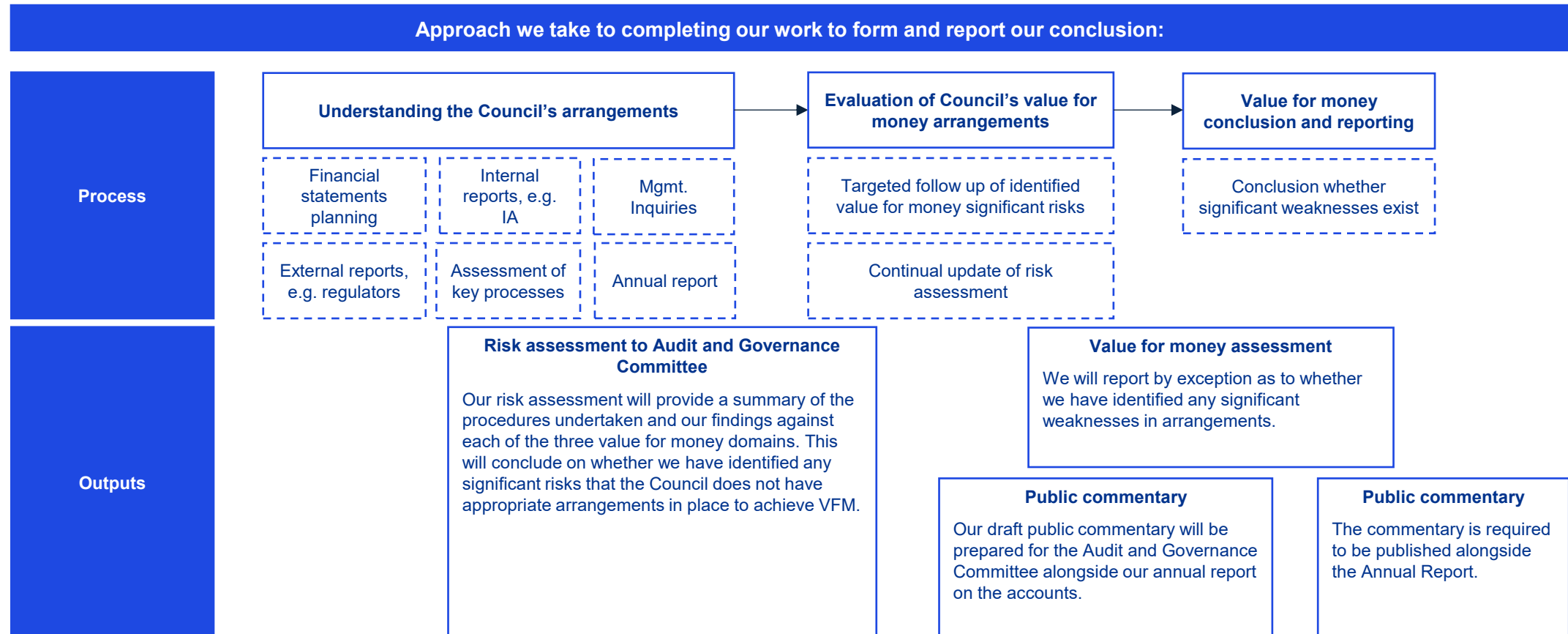
### Governance

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

### Improving economy, efficiency and effectiveness

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

# Value for money



# Summary of risk assessment

## Summary of risk assessment

As set out in our methodology, we have evaluated the design of controls in place for a number of the Council's systems, reviewed reports from external organisations and Internal Audit and performed inquiries of management. These procedures are consistent with prior year.

Based on these procedures the table below summarises our assessment of whether there is a significant risk that appropriate arrangements are not in place to achieve value for money at the Council for each of the relevant domains:

Domain	Significant risk identified?
Financial sustainability	No significant risks identified
Governance	No significant risks identified
Improving economy, efficiency and effectiveness	No significant risks identified

We have not identified any significant risks that there are not appropriate arrangements in place as part of the procedures we have undertaken. We have provided a summary of the procedures performed and our key findings from these on pages 18 to 27.

We have not raised any recommendations as a result of our risk assessment.

We have not raised any performance improvement observations as a result of our risk assessment.

# Value for money arrangements

## Financial sustainability

In assessing whether there was a significant risk of financial sustainability we reviewed:

- The processes for setting the 2025/26 financial plan to ensure that it is achievable and based on realistic assumptions;
- How the 2025/26 efficiency plan was developed and monitoring of delivery against the requirements;
- Processes for ensuring consistency between the financial plan set for 2025/26 and the workforce and operational plans;
- The process for assessing risks to financial sustainability;
- Processes in place for managing identified financial sustainability risks; and;
- Performance for the year to date against the financial plan.

### Summary of risk assessment

#### Setting the 2025/26 financial plan

- The Council has a budget for 2025/26 that was approved by the Council on 3 March 2025.
- The budget setting report for 2025/26 comprises a five-year financial strategy. Budget assumptions are clearly outlined within the budget setting report. These assumptions are subject to challenge at the Audit and Governance Committee and Cabinet before they are presented to Council for final approval. Through our review, nothing has come to our attention which would suggest that the assumptions used were not reasonable and appropriate.
- For 2025/26, the Council has budgeted gross expenditure of £50.8m. The budget sets out how this is planned to be funded, of which £49.4 is planned through various activities such as fees, charges and other income (£36.4m), Council Tax (£5.8m), business rates (£5m), grant income (£2.2m). This leaves a budget gap of £1.4m which is an efficiency target that must be found by the Council to deliver a balanced budget at the end of the year.
- The Internal Drainage Board (IDB) levy continues to be a cost pressure for the Council, with a budgeted cost of £2.9m in 2025/26 (an increase of 3.6% from 2024/25). The Council is liaising with the local Internal Drainage Boards to work towards limiting future increases where possible. To show the additional financial pressure on the Council, the Council splits their efficiency requirement between the IDB Funding Requirement of £0.9m and the Annual Budget Efficiency requirement of £0.5m. Therefore, of the total efficiency requirement noted for 2025/26 in the bullet point above, the IDB pressure makes up 64%.

#### Developing the 2025/26 efficiency plan

- The efficiency requirement is identified as part of the budget setting process. For 2025/26, this is £1.4m (£0.9m relating to the IDB Funding Requirement and £0.5m relating to the Annual Budget Efficiency requirement).
- In our audit completion reports for the 2023/24 financial year, we reported that for the financial year ended 31 March 2024, that the Council did not have a formal efficiency programme in place and raised a medium-risk performance improvement observation. On conclusion of the audit for the prior year, we followed-up on this performance improvement observation in October 2025 and confirmed this had not been implemented.

# Value for money arrangements

## Financial sustainability

In assessing whether there was a significant risk of financial sustainability we reviewed:

- The processes for setting the 2025/26 financial plan to ensure that it is achievable and based on realistic assumptions;
- How the 2025/26 efficiency plan was developed and monitoring of delivery against the requirements;
- Processes for ensuring consistency between the financial plan set for 2025/26 and the workforce and operational plans;
- The process for assessing risks to financial sustainability;
- Processes in place for managing identified financial sustainability risks; and;
- Performance for the year to date against the financial plan.

- We have observed through attendance at the October 2025 Audit and Governance Committee, the Council had an Internal Audit review scheduled to review the processes and controls in place regarding the 'Identification and Monitoring of Savings'. However, the Internal Auditors found that there were insufficient processes in place to review and as such, were unable to establish sufficient first or second-line controls to test.
- We have reviewed the quarterly finance reports presented to Cabinet during the year and found that although there is a table for a total amount of efficiencies that have been found against the total requirement, this is at a high level.
- Therefore, based on the findings above, we have concluded that this performance improvement recommendation remains as there is not a formal programme in place to effectively identify, RAG (Red / Amber / Green) rate and/or monitor efficiencies. Not having a formal efficiency programme in place will hinder the Council's ability to effectively make savings, which is of increasing importance as the Council is facing increasing pressure from the IDB levy each year.
- At quarter three, the Council is forecasting a deficit of £457k. As the forecasted deficit is not material to the Group, the issues identified above do not give rise to a significant risk of significant weakness relating to financial sustainability for the year ended 31 March 2026. However, we note this could have an adverse impact on the Council in future years, particularly if recurrent savings are not being effectively identified year-on-year.

### **Consistency between the financial plan for 2025/26 and workforce and operational plans**

- The budget setting report is presented to the Cabinet and the Full Council alongside other key strategies for the entity such as the: Capital Strategy, Treasury Management Policy Statement, Treasury Management Strategy, Minimum Revenue Policy (MRP) and Annual Investment Strategy, Medium Term Financial Plan (5 years) and the Annual Delivery Plan.
- The capital programme is reviewed alongside the budgets to ensure it is consistent with the wider budget setting process. The Council's capital programme for the year was budgeted to be £33.3m. This will be largely funded through external grants. The capital programme was presented to the Cabinet before approval from the Council.
- The Partnership Delivery and Alignment Plan for the South and East Lincolnshire Council's partnership is presented alongside the budget to the Full Council.

# Value for money arrangements

## Financial sustainability

In assessing whether there was a significant risk of financial sustainability we reviewed:

- The processes for setting the 2025/26 financial plan to ensure that it is achievable and based on realistic assumptions;
- How the 2025/26 efficiency plan was developed and monitoring of delivery against the requirements;
- Processes for ensuring consistency between the financial plan set for 2025/26 and the workforce and operational plans;
- The process for assessing risks to financial sustainability;
- Processes in place for managing identified financial sustainability risks; and;
- Performance for the year to date against the financial plan.

- These are all developed, challenged and approved at the same time to ensure all the activities of the Council are aligned prior to the start of the financial year.

### Assessing and managing financial sustainability risks

- The Council has a Risk Management Framework in place. The Framework has a review period of every 4 years. This was last approved by the Council in January 2024, so is next due for review in January 2028.
- The Council has a Strategic Risk Register, and a risk management report is presented to the Audit and Governance Committee on a quarterly basis. The Council has identified a strategic risk relating to the long-term balancing of the budget with economic and funding uncertainty. In the quarter three risk report, the Council's strategic risk of "Budget", has a risk score of 16 (High). The risk is at the target risk score which means the Council is 'tolerating' the risk.
- As part of the budget setting process, management includes a section for risk and sensitivity which outlines the key risks to the budget and how they will be treated through risk management practices.
- The governance arrangements relating to risk management are detailed on page 22.

### Performance for the year-to-date against the financial plan

- The quarter three finance report was presented to the Cabinet on 26 March 2026. The revenue forecast shows a deficit position of £457k for 2025/26. Of the £1.4m efficiency target set in the 2025/26 budget, at quarter three, £778k has been identified. £654k of the efficiencies achieved (84%) relates to additional central Government funding received to support the IDB levies pressure. The other £124k has been generated through savings within service areas. Therefore, there is still £651k to be identified and delivered by the year-end.
- As at 31 December 2025, the Council's specific reserves forecast outturn position is £14.89m for 2025/26. This is a planned decrease of £932k to cover revenue and capital expenditure. The General Fund Reserve is expected to main stable at £2m for the year ended 31 March 2026, with no planned use of the Reserve expected in year.
- Therefore, we have not identified significant planned use of reserves, or use of the General Fund Reserve to achieve a balanced budget for the year. Therefore, there is no indication of significant risk over financial sustainability for the Council.

# Value for money arrangements

## Financial sustainability

In assessing whether there was a significant risk of financial sustainability we reviewed:

- The processes for setting the 2025/26 financial plan to ensure that it is achievable and based on realistic assumptions;
- How the 2025/26 efficiency plan was developed and monitoring of delivery against the requirements;
- Processes for ensuring consistency between the financial plan set for 2025/26 and the workforce and operational plans;
- The process for assessing risks to financial sustainability;
- Processes in place for managing identified financial sustainability risks; and;
- Performance for the year to date against the financial plan.

- Performance against the capital programme is reported as part of the quarterly finance reports. The capital programme approved by the Council on 3 March was £33.3m. The revised capital budget as of 31 December 2025 is £37.4m, derived from the combination of the 2025/26 approved budget, new in-year approved spend, slippage into future years and decommitted spend. As at 31 December 2025, forecasted capital spend for the year is £23.6m, which will result in a total underspend of £13.6m.

### **Risk assessment conclusion**

We have not identified a significant risk in the Council's arrangements for financial sustainability.

# Value for money arrangements

## Governance

In assessing whether there was a significant risk relating to governance we reviewed:

- Processes for the identification, monitoring and management of risk;
- The design of the governance structures in place at the Council;
- Controls in place to prevent and detect fraud;
- The review and approval of the 2025/26 financial plan by the Council, including how financial risks were communicated;
- How compliance with laws and regulations is monitored;
- Processes in place to monitor officer compliance with expected standards of behaviour, including recording of interests, gifts and hospitality; and
- How the Council ensures decisions receive appropriate scrutiny.
- How the Council is preparing for Local Government reorganisation

### Summary of risk assessment

#### Identification, monitoring and management of risk

- The Council has a Risk Management Framework in place. This includes well-documented processes to identify, monitor and manage risk. This outlines the Council's overriding attitude to risk: to operate in a culture that is open to all potential options in which all risks are identified, understood and proportionately managed, rather than avoided.
- The Council manages risk at three governance levels: strategic, operational and project management. Each has their own risk management responsibilities as outlined in the Risk Management Framework. A quarterly corporate governance clinic is held with Assistant Directors to review risks. Any changes in risk scores are clearly outlined in the covering risk report that goes to the Audit and Governance Committee during the year. The quarterly risk reports also include partnership risks and fraud risks.
- The Council received an adequate assurance rating on a 'Risk Register' review undertaken by Internal Audit during the year. The review identified that strengthening documentation, formalising risk appetite, and improving strategic alignment and oversight would enhance risk management effectiveness.
- Through our attendance at Audit and Governance Committee we are satisfied that there is appropriate oversight and scrutiny of the risk scores and risks

#### Controls in place to prevent and detect fraud

- The Council has refreshed the Counter Fraud, Corruption and Bribery Policy. This was presented to the November 2025 Audit and Governance Committee.
- The Council has refreshed their Whistleblowing Policy during the year, and this is aligned across the South-East Lincolnshire Councils Partnership.

#### *Related Parties*

Our inquiries with management identified that the maintenance of the Register of Interests occurs annually as part of the year-end financial reporting process. We will perform a walkthrough of this process as part of the year-end audit process in July 2026.

# Value for money arrangements

## Governance

In assessing whether there was a significant risk relating to governance we reviewed:

- Processes for the identification, monitoring and management of risk;
- The design of the governance structures in place at the Council;
- Controls in place to prevent and detect fraud;
- The review and approval of the 2025/26 financial plan by the Council, including how financial risks were communicated;
- How compliance with laws and regulations is monitored;
- Processes in place to monitor officer compliance with expected standards of behaviour, including recording of interests, gifts and hospitality; and
- How the Council ensures decisions receive appropriate scrutiny.
- How the Council is preparing for Local Government reorganisation

### *Internal audit*

- The Council engages Lincolnshire County Council as their Internal Auditors. They are independent to the Council and provide assurance over the Council's internal controls, including core financial controls. The Head of Internal Audit (HoIA) opinion 2024-25 was 'Adequate'.
- The Council receives a Counter Fraud First quarterly report. This is prepared by the Counter Fraud Team at Lincolnshire County Council. This includes updates on the number of whistleblowing and confidential reports received and updates on emerging risks. We have obtained the three reports up to the end of quarter three and have not identified any additional fraud risk to the Council, or specific matters that would require audit attention.
- In the January 2026 Internal Audit progress report, it stated that the Council has received one substantial, and six adequate assurance ratings. One review relating to the 'Identification and Monitoring of Savings' was unable to be completed because there was insufficient controls to test, which we have considered on page 19. There have been no 'Limited Assurance' reports issued during the year to date.

### **Review and approval of the 2025/26 financial plan**

- See page 18 for the detail on the setting and approving the 2025/26 financial plan. We have confirmed that this has had sufficient scrutiny throughout the governance structure ahead of the financial year.

### **Monitoring compliance with laws and regulations**

- The Council has a legal service which is responsible for regularly reviewing regulatory change. Service areas are also responsible for being aware of new regulatory changes in their area and these are communicated for implementation as appropriate. We have confirmed through management inquiry there have not been any breaches of legislation or regulatory standards during the year that has led to an investigation by any legal or regulatory body. We have not identified any contradictory evidence through other channels such as a media review and minute review for the entity.
- Furthermore, all papers in relation to key decisions such as plans, proposals and procurements for senior officer groups or member committees are required to consider the implications of constitutional and legal, corporate priorities, reputation, equality/human rights/safeguarding and environmental legislation as standard. We have seen this pro-forma is used consistently as part of our minute review of the Audit and Governance Committee, Cabinet and Council.

# Value for money arrangements

## Governance

In assessing whether there was a significant risk relating to governance we reviewed:

- Processes for the identification, monitoring and management of risk;
- The design of the governance structures in place at the Council;
- Controls in place to prevent and detect fraud;
- The review and approval of the 2025/26 financial plan by the Council, including how financial risks were communicated;
- How compliance with laws and regulations is monitored;
- Processes in place to monitor officer compliance with expected standards of behaviour, including recording of interests, gifts and hospitality; and
- How the Council ensures decisions receive appropriate scrutiny.
- How the Council is preparing for Local Government reorganisation

### Monitoring officer compliance with expected standards of behaviour

- All Councillors are bound by the Constitution which is derived from statute and decisions of the Council. All Councillors are required to agree to the Constitution and the Monitoring Officer, as the delegated official, is responsible for overseeing training, awareness and complaints surrounding the Code of Conduct.
- The Council's Code of Conduct communicates values and expected behaviours of staff. This is communicated to staff as part of the recruitment process and is available on the staff intranet. This also covers requirements with regards to gifts and hospitality and conflicts of interests.
- The Council has a Whistleblowing Policy in place to raise concerns of behaviour that do not meet the Code of Conduct. This sets out the actions the Council will take in the event of a whistleblowing incident. This was refreshed part-way through the year.
- The Council's Gifts and Hospitality Policy for members is included within the Constitution. The Council's Gifts and Hospitality Policy for employees is included within the Employee Code of Conduct.

### Ensuring decisions receive appropriate scrutiny

- Key decision making is subject to discussion and scrutiny at Cabinet level and relevant sub-committees, followed by formal approval by the Council. All key decision records are available to view on the Council's website (unless restricted due to sensitive nature).
- We performed a search on the Council's website of all key decisions that had been made within the 2025/26 financial year up to 31 January 2026. For a sample of key decisions, we will assess whether the key decisions achieved appropriate scrutiny and that the Council's approval process was appropriately followed.

# Value for money arrangements

## Governance

In assessing whether there was a significant risk relating to governance we reviewed:

- Processes for the identification, monitoring and management of risk;
- The design of the governance structures in place at the Council;
- Controls in place to prevent and detect fraud;
- The review and approval of the 2025/26 financial plan by the Council, including how financial risks were communicated;
- How compliance with laws and regulations is monitored;
- Processes in place to monitor officer compliance with expected standards of behaviour, including recording of interests, gifts and hospitality; and
- How the Council ensures decisions receive appropriate scrutiny.
- How the Council is preparing for Local Government reorganisation

### Preparation for Local Government Reorganisation

- On 11 November 2024, the Council approved a proposal to establish a District Joint Committee for the purposes of devolution and participation of non-constituent local authorities at the Greater Lincolnshire Combined County Authority. The purpose of the Joint Committee is to establish a collaborative platform for coordination among the non-constituent authorities and be a mechanism through which their interests are represented on the Greater Lincolnshire Mayoral Combined County Authority. The Joint Committee has a Terms of Reference and Standing Orders that were approved at the same Council meeting.
- Greater Lincolnshire is one of several areas in England that is invited by the Minister for Local Government to submit a proposal for Local Government Re-organisation. Working together, East Lindsey and South Holland Councils developed an interim proposal that was submitted to Government for the March 2025 deadline. In July 2025, Boston confirmed its support for the East Lindsey and South Holland proposal. Boston, East Lindsey and South Holland Councils have been working with a team of expert advisors to prepare their proposal to Government – A Greater Lincolnshire for All.
- On 26 November 2025, Boston's Cabinet approved the proposal for Local Government Re-organisation to be approved, for submission to Government. This plan was submitted on 28 November 2025. This is called 'A Greater Lincolnshire for All' and is a joint proposal from Boston Borough Council, East Lindsey Council and South Holland Council. This is available to view on the Council's website.
- In 2021, Boston Borough Council came together with South Holland District Council and East Lindsey District Council to form the South East Lincolnshire Councils Partnership (SELCP). The proposal approved by the Council includes reference to the efficiencies and cost savings that have been generated since the Partnership came together on larger scale across Lincolnshire.
- The Council have identified a strategic risk on their risk register for Local Government Reform in Greater Lincolnshire. At quarter three, this is currently rated as a high risk, which is currently being tolerated by the Council. This is included within the quarterly risk reports monitored within the Governance structure.

### Risk assessment conclusion

We have not identified a significant risk in the Council's arrangements for governance.

# Value for money arrangements

## Improving economy, efficiency and effectiveness

In assessing whether there was a significant risk relating to improving economy, efficiency and effectiveness we reviewed:

- The processes in place for assessing the level of value for money being achieved and where there are opportunities for these to be improved;
- The development of efficiency plans and how the implementation of these is monitored;
- How the performance of services is monitored and actions identified in response to areas of poor performance;
- How the Council has engaged with partners in development of the organisation and system wide plans and arrangements;
- The engagement with wider partnerships and how the performance of those partnerships is monitored and reported; and
- The monitoring of outsourced services to verify that they are delivering expected standards.

### Summary of risk assessment

#### Assessing the level of VFM being achieved and improvement opportunities

- The Council undertakes a programme of service reviews to identify improvement opportunities on a cost and performance basis.
- We will sample a list of service reviews that have been planned for 2025/26. For a sample of service reviews that were completed in 2024/25, we will check whether actions identified from the reviews are being implemented.

#### Development of efficiency plans and how implementation is monitored

- Detail on the Council's efficiency plans and how these are monitored are detailed on page 19.

#### Performance of services

- The Council has a Performance and Governance Framework in place. Quarterly monitoring reports are presented to Cabinet. The report is a standard template that is updated each quarter and includes KPIs with commentary to support performance and ratings based on the achievement of targets (red/amber/green). The report also includes risks with scores and any changes since the last report within the appendices. The KPIs are reported under relevant categories, for example Healthy Lives, Environment, Efficiency and Effectiveness.

#### Engagement with other stakeholders and wider partners

- The Council works closely with other organisations locally to support delivering economy, efficiency and effectiveness, namely with East Lindsey District Council and South Holland District Council as part of the SELCP. Most notably, the Councils are working together to produce service reviews on different areas to focus on streamlining the processes across the three Councils. The aim is to achieve recurring, long-term efficiency gains and create a platform to meet future demands and opportunities within the service areas.

#### Performance of partnerships

- The Council's largest partnership is the South & East Lincolnshire Partnership. The Council has an annual delivery plan that is monitored by the Joint Strategy Board to support the Partnership in delivering on its priorities, as well as sovereign Council ambitions.

# Value for money arrangements

## Improving economy, efficiency and effectiveness

In assessing whether there was a significant risk relating to improving economy, efficiency and effectiveness we reviewed:

- The processes in place for assessing the level of value for money being achieved and where there are opportunities for these to be improved;
- The development of efficiency plans and how the implementation of these is monitored;
- How the performance of services is monitored and actions identified in response to areas of poor performance;
- How the Council has engaged with partners in development of the organisation and system wide plans and arrangements;
- The engagement with wider partnerships and how the performance of those partnerships is monitored and reported; and
- The monitoring of outsourced services to verify that they are delivering expected standards.

### Public Sector Partnerships Ltd (PSPSL)

- The Council outsources their finance function to PSPS, a local authority trading company owned by the three Council's in the SELCP.
- An independent review of the finance service delivery arrangements provided by PSPS for the delivery to the three Councils comprising the South & East Lincolnshire Partnership was prepared by CIPFA in October 2023, commissioned by PSPS. There was a focus on the lack of any formal Service Level Agreement (SLA) in place to outline responsibilities, with a recommendation made for one to be drafted and put in place. We confirmed there was an SLA in place for 2024/25. However, for 2025/26, an updated SLA was not agreed between PSPS and the Council, mainly due to the turnover of the s151 officer during the year. Management confirmed the 2024/25 SLA remained in place and an updated version was being agreed for 2026/27. Therefore, we do not consider this to constitute a significant risk of weakness in arrangements.
- Within the Internal Audit plan for 2025/26, there is a review planned for PSPS contract management, with potential scope to consider that agreed services are delivered and performance managed. As at January 2026, this review had not yet been completed. We will review the report once it is finalised. However, this provides assurance management are consistently reviewing the performance of their finance function.

### Risk assessment conclusion

We have not identified a significant risk in the Council's arrangements for economy, efficiency and effectiveness.

# Appendix

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# Appendix A Audit team and rotation

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



James Boyle is the director responsible for our audit. He will lead our audit work, attend the Audit and Governance Committee and be responsible for the opinions that we issue.



Rosie Kelly is the manager responsible for our audit. She will co-ordinate our audit work, attend the Audit and Governance Committee and ensure we are co-ordinated across our accounts and Value for Money work.



Carter Burnell and Joe Bugg are the in-charge's responsible for our audit. They will be responsible for our on-site fieldwork. They will complete work on more complex sections of the audit.



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



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

# Audit cycle & timetable

## Our schedule 2025-2026

**Key:**

■ Timing of AC communications

■ Key events

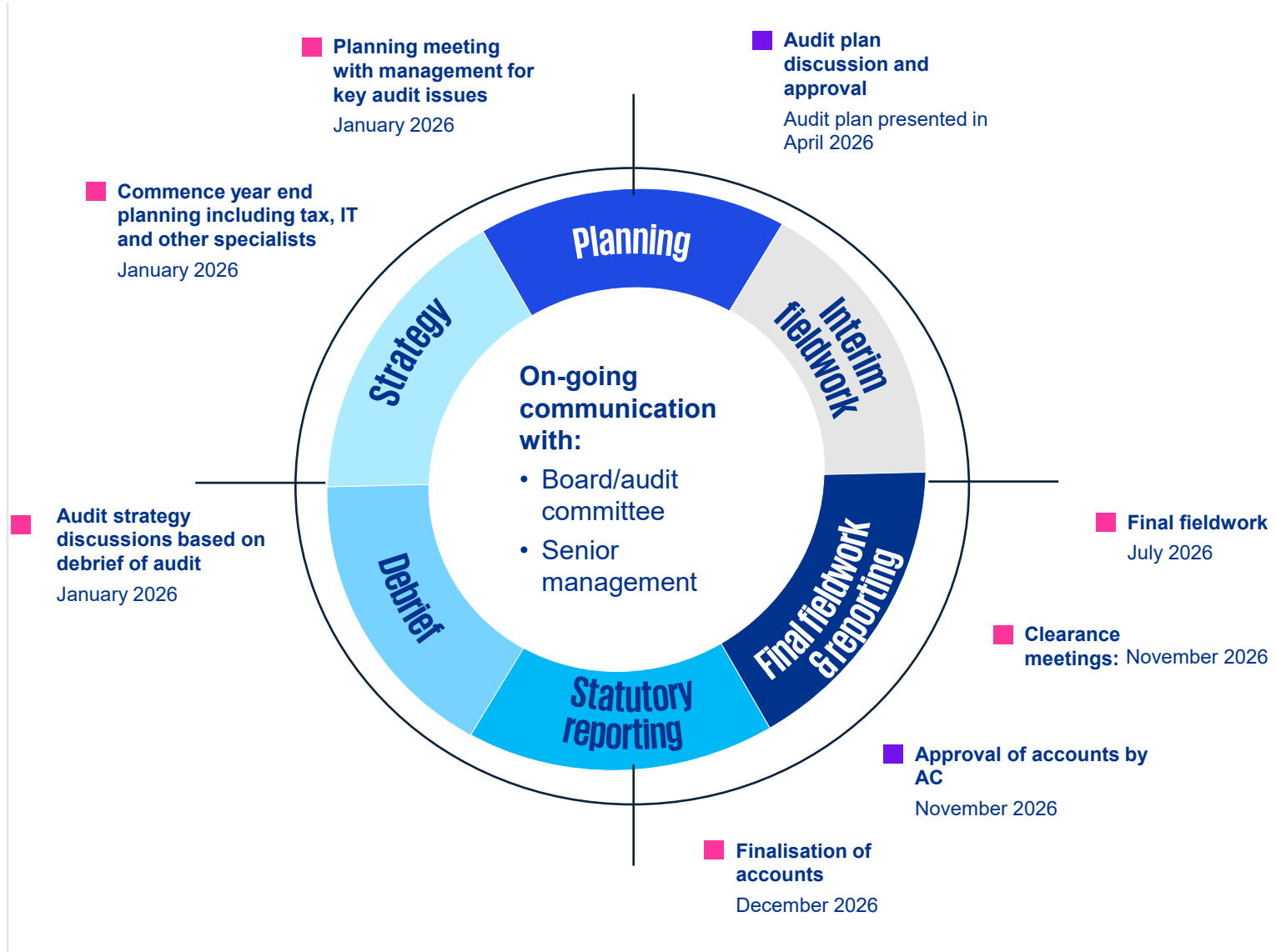
We have worked with management to generate our understanding of the processes and controls in place at the Council in its preparation of the Statement of Accounts.

The Government has set a statutory backstop date for the 2025-26 audit of 31 January 2027. This is the deadline for the Council to publish audited financial statements, and the audit opinion.

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

This is our third year as auditor. We have held a formal debrief with management on the audit process, and improvements that can be made in 2025/26.

If this schedule changes, we will report this to the Audit and Governance Committee when we attend the relevant meetings.



# Appendix C

# Fees

## Audit fee

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

Entity	2025/26 (£'000)	2024/25 (£'000)
Scale fees as set by PSAA	157	153
Agreed PY fee variations approved by PSAA	-	-
Agreed PY fee variations with management but subject to PSAA approval	-	10.8
<b>TOTAL</b>	<b>157</b>	<b>163.8</b>

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

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

The fees assume no significant risks are identified as part of the Value for Money risk assessment.

Fee variations are subject to PSAA approval.

## Billing arrangements

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

## Basis of fee information

Our fees are subject to the following assumptions:

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

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

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

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

# Confirmation of Independence

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

**To the 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.

We are satisfied that our general procedures support our independence and objectivity.

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

*Summary of non-audit services*

We have considered the fees charged by us to the Authority for professional services provided by us during the reporting period.

*Fee ratio*

The maximum ratio of non-audit fees to audit fees for the year is anticipated to be 0.31:1. We do not consider that the total non-audit fees create a self-interest threat since the absolute level of fees is not significant to our firm as a whole.

	2025-26
	£'000
Statutory audit	157
Other Assurance Services	33.6*
<b>Total Fees</b>	<b>190.6</b>

\* Estimated costs based on 2024/25 actuals



# Confirmation of Independence

Disclosure	Description of scope of services	Principal threats to Independence	Safeguards Applied	Basis of fee	Value of Services Delivered in the year ended 31 March 2026 £'000	Value of Services Committed but not yet delivered £'000
1	Housing benefit grant certification	Management Self review Self interest	<ul style="list-style-type: none"> <li>Standard language on non-assumption of management responsibilities is included in our engagement letter.</li> <li>The engagement contract makes clear that we will not perform any management functions.</li> <li>The work is performed after the audit is completed and the work is not relied on within the audit file.</li> <li>Our work does not involve judgement and are statements of fact based on agreed upon procedures.</li> </ul>	Fixed	33.6*	<i>TBC – We are contracted to deliver these services for 2025/26 and 2026/27 however these fees have not yet been confirmed</i>

\* Estimated costs based on 2024-25 actuals

# Confirmation of Independence (cont.)

## Summary of fees

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

### Fee ratio

The ratio of non-audit fees to audit fees for the year is anticipated to be 0.3: 1. We do not consider that the total non-audit fees create a self-interest threat since the absolute level of fees is not significant to our firm as a whole.

	2025/26
	£'000
Scale fees	157
Other Assurance Services	33.6*
<b>Total Fees</b>	<b>190.6</b>

\* Estimated costs based on 2024-25 actuals

## 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**

# Appendix E KPMG's Audit quality framework

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

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

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

## ■ Commitment to continuous improvement

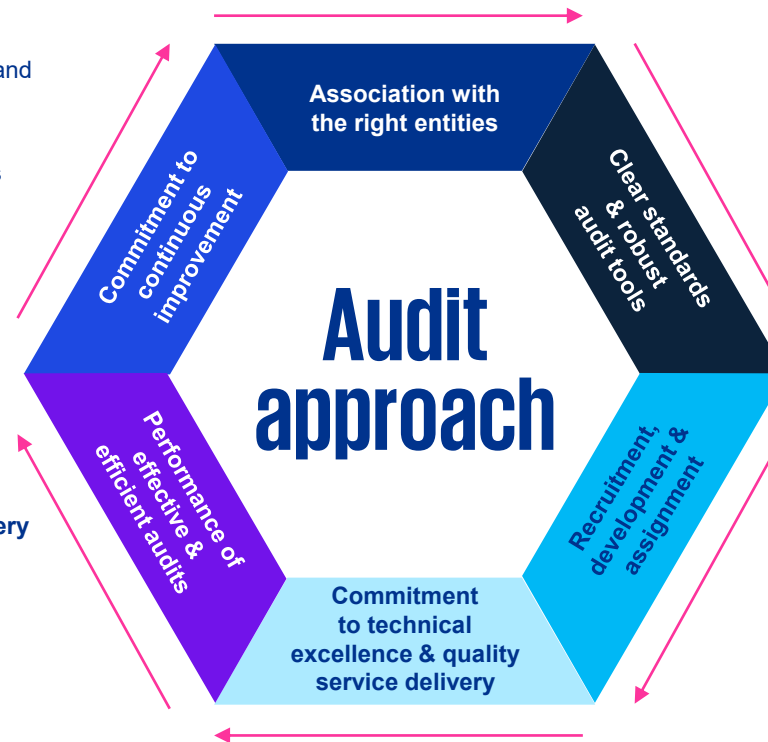
- Comprehensive effective monitoring processes
- Significant investment in technology to achieve consistency and enhance audits
- Obtain feedback from key stakeholders
- Evaluate and appropriately respond to feedback and findings

## ■ Performance of effective & efficient audits

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

## ■ Commitment to technical excellence & quality service delivery

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



## ■ Association with the right entities

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

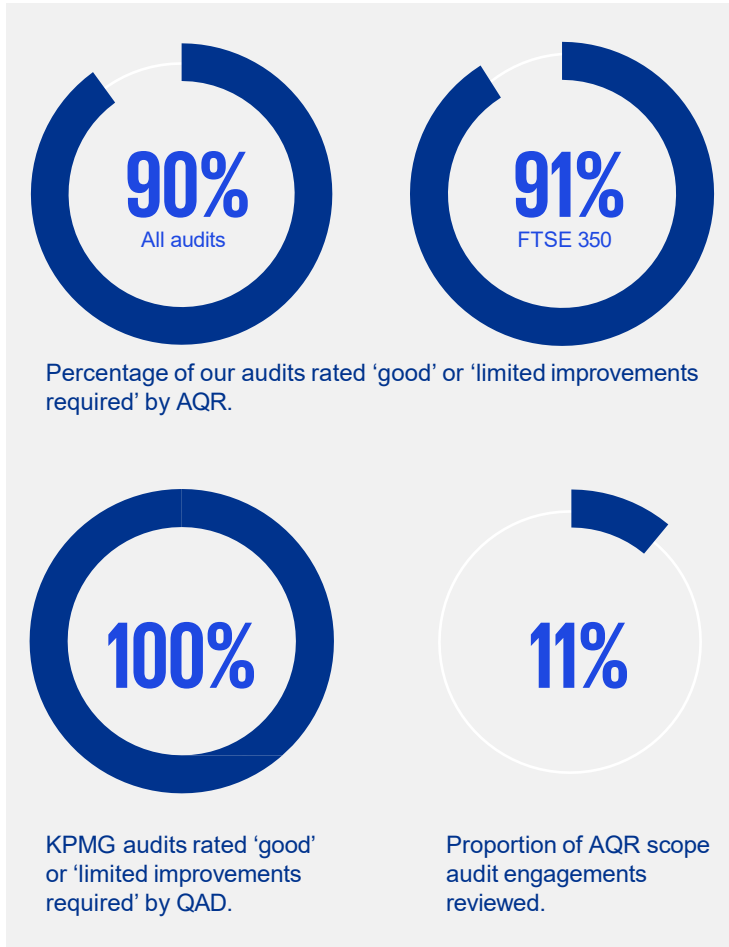
## ■ Clear standards & robust audit tools

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

## ■ Recruitment, development & assignment of appropriately qualified personnel

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

# Appendix F 2025 AQR results



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

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

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

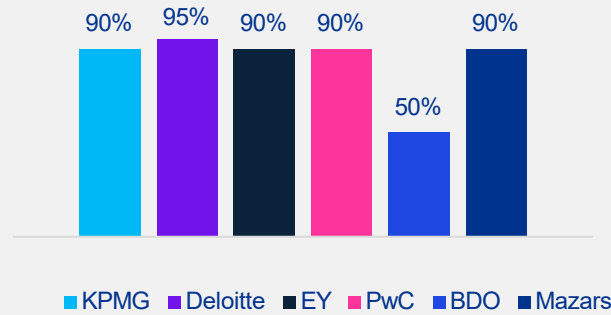
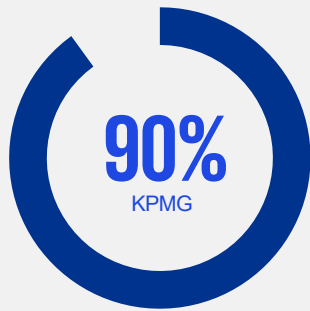
- Good or limited improvements required;
- Improvements required;
- Significant improvements required



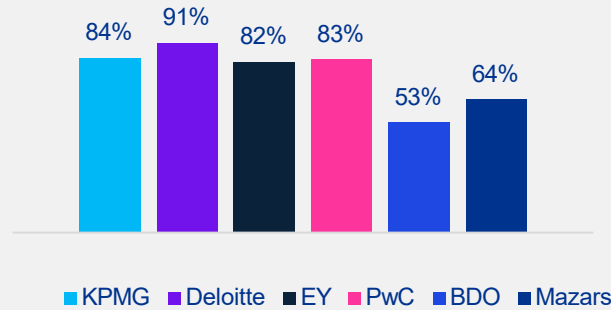
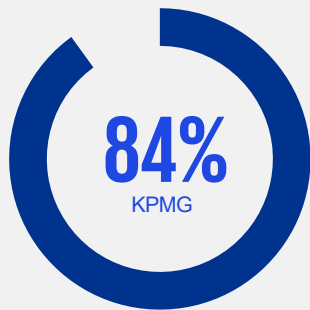
# Appendix F 2025 AQR results (cont.)

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

2024/25



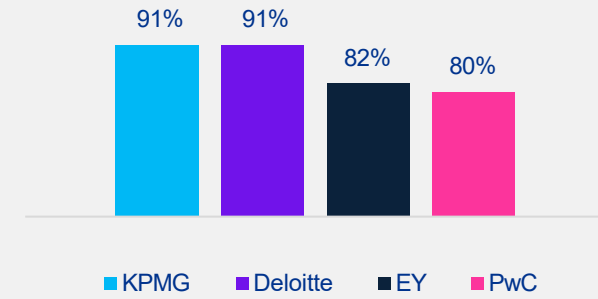
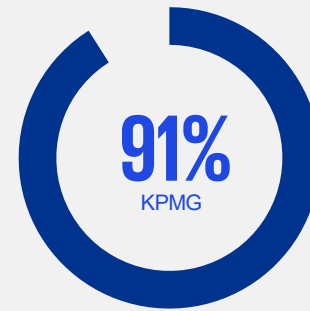
3-year average



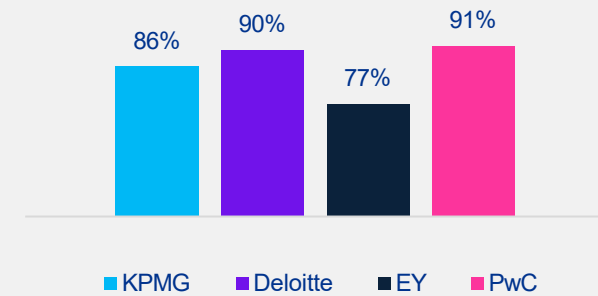
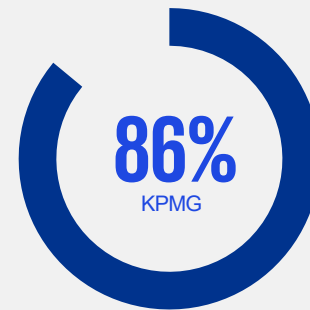
Percentage of all FTSE 350 audits reviewed graded Good/Limited improvements required.

Not disclosed for BDO and Mazars

2024/25



3-year average





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