

# London Borough of Havering

Audit Results Report

Year ended 31 March 2025

11 February 2026



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Audit Committee  
London Borough of Havering  
Town Hall  
Main Road  
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11 February 2026

Dear Audit Committee Members

### 2024/25 Audit Results Report

We attach our Audit Results Report, summarising the status of our audit for the forthcoming meeting of the Audit Committee. We will update the Audit Committee at its meeting scheduled for 24 February 2026 on further progress to that date and explain the remaining steps to the issue of our final opinion.

The audit is designed to express an opinion on the 2024/25 financial statements and address current statutory and regulatory requirements. This report contains our findings related to the areas of audit emphasis, our views on the London Borough of Havering (the Council's) accounting policies and judgements and material internal control findings. Each year sees further enhancements to the level of audit challenge, the exercise of professional judgement and the quality of evidence required to achieve the robust professional scepticism that society expects. We thank the management team for supporting this process.

The Audit Committee, as the Council's body charged with governance, has an essential role in ensuring that it has assurance over both the quality of the draft financial statements prepared by management and the Council's wider arrangements to support the delivery of a timely and efficient audit.

We consider and report on the adequacy of the Council's external financial reporting arrangements and the effectiveness of the audit committee in fulfilling its role in those arrangements as part of our assessment of Value for Money arrangements; and consider the use of other statutory reporting powers to draw attention to weaknesses in those arrangements where we consider it necessary to do so. We draw Audit Committee members' and officers' attention to the Public Sector Audit Appointment Limited's Statement of Responsibilities (paragraphs 26-28) which clearly sets out what is expected of audited bodies in preparing their financial statements.

This report is intended solely for the information and use of the Audit Committee and management, and is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss the contents of this report with you at the Audit Committee meeting on 24 February 2026.

Yours faithfully

Mark Hodgson

Partner,

For and on behalf of Ernst & Young LLP

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Public Sector Audit Appointments Ltd (PSAA) issued the “Statement of responsibilities of auditors and audited bodies”. It is available from the PSAA website (<https://www.psa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits>)

The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The “Terms of Appointment and further guidance (updated July 2021)” issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code), and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Audit Committee and management of London Borough of Havering in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit Committee and management of London Borough of Havering those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit Committee and management of London Borough of Havering for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



# 01 Executive Summary

# Executive Summary – Context for the audit

## Context for the audit - Measures to address local audit delays

Timely, high-quality financial reporting and audit of local bodies is a vital part of the democratic system. It supports good decision making by local bodies and ensures transparency and accountability to local taxpayers. There is general agreement that the backlog in the publication of audited financial statements by local bodies has grown to an unacceptable level and there is a clear recognition that all stakeholders in the sector need to work together to address this. Reasons for the backlog across the system have been widely reported and include:

- lack of capacity within the local authority financial accounting profession;
- increased complexity of reporting requirements within the sector;
- a lack of auditors and audit firms with public sector experience; and
- increased regulatory pressure on auditors, which in turn has increased the scope and extent of audit procedures performed.

MHCLG has worked collaboratively with the FRC and other system partners, to develop and implement measures to clear the backlog. The approach to addressing the backlog consists of three phases:

- Phase 1: Reset involving clearing the backlog of historic audit opinions up to and including financial year 2022/23 by 13 December 2024. This has now been delivered.
- Phase 2: Recovery from Phase 1, starting from 2023/24, in a way that does not cause a recurrence of the backlog by using backstop dates to allow assurance to be rebuilt over multiple audit cycles. The backstop date for audit of the 2024/25 financial statements is 27 February 2026. This process of rebuilding assurance will take several years to achieve. The NAO, supported by the MHCLG and the FRC, are responsible for issuing guidance and have been liaising with audit firms to understand the complexities involved and to seek to ensure a more consistent approach for restoring assurance for disclaimed periods. The NAO has now published its Local Audit Reset and Recovery Implementation Guidance (LARRIG) 06 setting out considerations for rebuilding assurance following the issue of disclaimed audit opinions under the backstop arrangements. The guidance predominantly focuses on the rebuilding of assurance over reserves, where it is more difficult to obtain assurance because of the way in which they accumulate over successive years. It also continues to recognise that the approach needed to rebuild assurance will differ authority to authority and will need to be considered in the context of both inherent risk factors which all authorities subject to recently disclaimed opinions will share, and factors specific to each individual authority's system of internal control and financial reporting. We will continue to consider the impact of this on our audit approach. In 2024/25 we have continued to audit the closing balance sheet and in-year transactions, which allows the build back of assurances over a large number of balances within the financial statements where audit procedures can be completed for successive years.
- Phase 3: Reform involving addressing systemic challenges in the system and embedding timely financial reporting and audit.

As reported in our 24 February 2025 Audit Results Report we issued a disclaimer of opinion on the Council's 2023/24 financial statements under these arrangements to reset and recover local government audit. We also issued a disclaimer of opinion on the 2021/22 and 2022/23 financial statements. In 2024/25, we have continued to audit the closing balance sheet and in-year transactions. Although the level of assurance gained has increased, we have not yet obtained sufficient evidence to have reasonable assurance over all in-year movements and closing balances.

As a result of the disclaimer of opinions on the 2021/22, 2022/23 and 2023/24 financial statements, we do not have assurance over some brought forward balances from 2023/24 where we did not gain assurance (the 2023/24 closing balances becoming 2024/25 opening balances). This means we do not have assurance over all 2024/25 in-year movements and the comparative prior year movements. We also do not have assurance over all the 2023/24 comparative balances disclosed in the 2024/25 financial statements. Taken together with the requirement to conclude our work by the 2024/25 back stop date, the lack of evidence over these movements and balances mean we are unable to conclude that the 2024/25 financial statements are free from material and pervasive misstatement of the financial statements. We therefore anticipate issuing a disclaimed 2024/25 audit opinion.

Appendix A sets out the current position of London Borough of Havering in rebuilding to return to a position of full assurance on its financial statements as compared with the timeline envisaged by the NAO's LARRIG 01. This is informed by the summary of the assurances we have gained from our 2023/24 and 2024/25 audit procedures, set out at Appendix B.

# Executive Summary – Context for the audit

## Scope update

In our Audit Plan presented to the Audit Committee meeting on the 8 July 2025, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan, with the following exceptions:

### Changes in Materiality

In our Audit Plan, we communicated that our audit procedures would be performed using a planning materiality of £7.53 million and a performance materiality of £5.65 million which represented 75% of materiality.

We updated our planning materiality assessment using the draft consolidated results to £8.08 million.

We reconsidered our risk assessment in light of findings, potential fraudulent activity and weaknesses in internal control reported by the Head of Internal Audit in his 2024/25 audit opinion. As a result of this we reduced our performance materiality to 50% of planning materiality reflecting a higher risk of misstatement.

This resulted in an updated performance materiality of £4.04 million and a threshold for reporting misstatements of £0.40 million.

# Executive Summary (continued)

## Status of the audit

Our audit work in respect of the group opinion is substantially complete. The following items relating to the completion of our audit procedures were outstanding at the date of this report.

### Closing Procedures

- Review of the final version of the financial statements.
- Completion of subsequent events review.
- Receipt of the signed Management Representation letter.
- Final Manager and Engagement Partner reviews.

We will continue to challenge the remaining evidence provided and the final disclosures in the financial statements which could influence our final audit opinion, a current draft of which is included in Section 04.

# Executive Summary (continued)

## Value for Money

In our Audit Plan dated 28 April 2025, we reported that we had not fully completed our Value for Money (VFM) risk assessment but that we had, at that point, identified two risks of significant weakness in respect of the governance of Group subsidiaries and OFSTED inspection findings. Upon completion of our Value for Money risk assessment, we identified one additional risk of significant weakness in respect of internal control matters (including potential fraudulent activity) reported by the Head of Internal Audit in his 2024/25 audit opinion. We have completed our procedures to address these risks of significant weakness and have identified a significant weakness in arrangements in respect of the weaknesses identified in internal control. See Section 03 for further details.

## Audit differences

### Uncorrected Differences

We have identified one uncorrected misstatement relating to the valuation of Investment Properties which would decrease 'Total Comprehensive Income and Expenditure' in the Comprehensive Income and Expenditure Statement by £2.6 million. The uncorrected misstatements would have no impact on the Council's Useable Reserves.

### Corrected Differences

We have identified five misstatements which Management have corrected for relating to:

1. Depreciation: £2.3 million understatement of the in year depreciation charge.
2. Short-term Debtors: Management identified the incorrect classification of a Short-term Creditor balance of £3.5 million within Short-term Debtors.
3. NNDR Income: incorrect classification of National Non-Domestic Rates (NNDR) income of £3.5 million within Net Cost of Services.
4. Management has identified and corrected for misstatements due to the grossing up of recharges in the draft Comprehensive Income and Expenditure Statement of £15.4 million. This adjustment reduces both expenditure and income within Cost of Services and does not impact the Net Cost of Services.
5. Disclosure misstatements: We identified a number of disclosure misstatements which management have adjusted for.

See Section 05 for further details.

## Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Council. We have no matters to report as a result of this work.

As the Council falls below the £2 billion threshold for review as per the NAO's group instructions, we are not required to undertake detailed procedures on your consolidation schedule. We are able to submit the required Assurance Statement to the NAO confirming this at the same time as the audit opinion. However, we cannot issue our Audit Certificate until the NAO has confirmed no further procedure are required of any auditor.

During the course of the audit, we became aware of instances of potential 'Non-Compliance with Laws and Regulations' which have required us to complete both additional and extended procedures in order to assess the risk of material misstatement to the financial statements, these procedures remain ongoing.

# Executive Summary (continued)

## Areas of audit focus

In our Audit Plan we identified a number of key areas of focus for our audit of the financial report of the Council. This report sets out our observations and status in relation to these areas, including our views on areas which might be conservative and areas where there is potential risk and exposure. Our consideration of these matters and others identified during the period is explained within the 'Areas of Audit Focus' section of this report and summarised below.

Significant Risk	Status of our work
Misstatement due to fraud and error	Our work in this area is complete and we have not identified any indications of management override.
Inappropriate capitalisation of revenue expenditure (including Revenue Expenditure Funded from Capital Under Statute)	Our work in this area is complete and we have not identified any indications of inappropriate capitalisation of revenue expenditure.
Accounting adjustments made in the 'Movement in Reserves Statement'	We have completed our work in this area and have no matters to report.
Valuation of Investment Property	<p>We have completed our work in this area.</p> <p>We have identified one misstatement relating to the valuation of one Investment Property which has not been corrected for by Management. The impact of this uncorrected misstatement on the Council's financial statements would be to decrease Non-Current Assets in the Balance Sheet and decrease total Comprehensive Income and Expenditure in the Comprehensive Income and Expenditure Statement by £2.4 million.</p> <p>See Section 02 of this report for further details.</p>
The accounting treatment and valuation of inventory held in the group subsidiaries	We have completed our work in this area and have no matters to report.
Consolidation procedures in the Group Financial Statements	We have completed our work in this area and have no matters to report.

# Executive Summary (continued)

## Areas of audit focus (continued)

Risk of Material Misstatement (Inherent Risk)	Status of our work
IFRS 16 Implementation	We have been unable to conclude our planned procedures in relation to IFRS 16 Implementation, see Section 02 of this report for further details.
Valuation of Land and Buildings and Council dwellings	We have completed our audit work in this area and identified one observation relating to the valuation methodology applied to assets valued under the Depreciated Replacement Cost Approach.  See Section 02 of this report for further details.
Pension Liability valuation	We have completed our in this area and have no matters to report.
Accounting for impairments of Receivables	We have been unable to conclude our planned procedures in relation to the accounting for impairment of Receivables.  Management identified one disclosure misstatement in the Debtors note (Note 19) of £5.3 million, which Management has adjusted for. This has no impact on the Balance Sheet or Comprehensive Income and Expenditure Statement.  See Section 02 of this report for further details.
Going Concern Disclosure	We have completed our review of the Council's disclosure note (Note 1). Given the financial position of the Council, whilst our audit report does not cover Going Concern, we do highlight the Council's disclosure note within our opinion.

We request that you review these and other matters set out in this report to ensure:

- There are no further considerations or matters that could impact these issues
- You concur with the resolution of the issue
- There are no further significant issues you are aware of to be considered before the financial report is finalised

There are no matters, other than those reported by management or disclosed in this report, which we believe should be brought to the attention of the Audit Committee.

# Executive Summary (continued)

## Control observations

We have adopted a fully substantive audit approach, so have not tested the operation of controls at the Council.

During the audit, we identified the following significant deficiency in internal control:

- The Head of Internal Audit's audit opinion for 2024/25 was one of 'limited assurance' as reported to the Audit Committee in July 2025. This limited assurance opinion was based on several potential frauds identified within the Council and as a result the identification of several internal control weaknesses. As detailed in Section 03, we have identified a risk of significant weakness in Value for Money (VFM) arrangements relating to these findings. We have completed our procedures in this area and have identified a number of control observations which are detailed in Section 06.

In addition we identified a number of control observations and improvement recommendations in relation to Management's financial processes and controls. Please refer to Section 06 for details.

## Independence

Please refer to Section 08 for our update on Independence. There are no independence issues to bring to your attention.

## Factors impacting the execution of the audit

Management, and the Audit Committee, as the Council's body charged with governance, have an essential role in supporting the delivery of an efficient and effective audit. Our ability to complete the audit is dependent on the timely formulation of appropriately supported accounting judgements, provision of accurate and relevant supporting evidence, access to the finance team and management's responsiveness to issues identified during the audit.

The table over-page sets out our views on the effectiveness of the Council's arrangements to support an external financial audit across a range of relevant measures.

We have been unable to undertake all planned procedures, and this is therefore likely to extend the timetable to recover assurance on the Council's financial statements. See Appendices A and B for further details.

# Executive Summary (continued)

Factors impacting the execution of the audit (continued)					
Area	Status			Explanation	Further detail
	R	A	G		
Timeliness of the draft financial statements	Effective			The Financial Statements were published by the 30 June 2025 deadline set out in the Accounts and Audit Regulations.	N/A
Quality and completeness of the draft financial statements	Requires improvement			On initial review we identified a number of non-material internal inconsistencies, disclosure, typographical and arithmetic errors in the draft Financial Statements. Overall the draft Financial Statements were of a reasonable quality for audit.	See Section 05 for details of misstatements.
Delivery of working papers in accordance with agreed client assistance schedule	Requires improvement			Approximately 20% of working papers were not provided to the agreed timetable. The most significant of these were working papers relating to Debtors and Creditors.	As a result of delays in receiving working papers, we were required to reallocate work within the audit team and consequently the audit did not progress inline with the agreed project plan.
Quality of working papers and supporting evidence	Requires improvement			Through the course of our audit we noted that overall the quality of working papers had shown considerable improvement from prior years. However, we did experience delays in the provision of supporting evidence from the Council and in a number of areas the quality of evidence provided to support accounting balances and transactions was not to the quality required to allow us to conclude work first time, resulting in a significant number of requests for clarification and further evidence.	We were unable to complete all our planned procedures in several areas. See Appendix B.
Timeliness and quality of evidence supporting key accounting estimates	Effective			Working papers to support estimates (excepting Creditors as above) in the Financial Statements were provided as per our agreed project plan.	N/A
Access to finance team and personnel to support the audit in accordance with agreed project plan	Requires improvement			We did not encounter significant issues or delays regarding access to the finance team and other personnel. However, the Council in November have been impacted by changes in IT systems due the Council migrating away from OneSource systems. This resulted in access issues for Council officers, to the Council's own systems and supporting documentation/evidence and access to EY's client portal, delaying responses to audit queries during this period.	N/A
Volume and value of identified misstatements	Effective			A relatively small number of misstatements were detected through our audit procedures.	See Section 05 for details of misstatements.
Volume of misstatements in disclosure	Effective			We identified a limited number of disclosure misstatements through our audit procedures.	See Section 05 for details of misstatements.



# 02 Areas of Audit Focus

# Areas of Audit Focus

## Misstatements due to fraud or error

 Fraud Risk

### What is the risk, and the key judgements and estimates?

The Council and Group Financial Statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent Financial Statements by overriding controls that otherwise appear to be operating effectively.

We identify and respond to this fraud risk on every audit engagement.

### What are our conclusions?

We did not identify any material weaknesses in internal controls or evidence of management override.

No instances of inappropriate judgments were identified during our audit procedures.

Our audit procedures did not reveal any transactions that appeared unusual or outside the Council's normal course of business.

Journal entry testing did not identify any inappropriate postings.

We noted one journal where approval had been provided via Microsoft Teams. Due to the Council's 30-day message retention policy, the approval evidence was unavailable for verification. While there was no evidence of approval for this journal, our testing did not identify any misstatements or indications of fraud. A recommendation addressing this matter is included in Section 06.

Our journal testing identified one year-end journal posted to correct a series of historic and current system issues and miscoding's. Similar corrective journals have been posted in prior years, indicating that some underlying issues remain unresolved within the Council's accounting arrangements. We recommend that the Council undertake a comprehensive review of these recurring adjustments and address the root causes within its financial systems. This recommendation is detailed in Section 06.

### Our response to the key areas of challenge and professional judgement

In response to this risk, we undertook the following procedures:

- Identified fraud risks during the planning stages of the audit.
- Inquired of management regarding fraud risks and the controls implemented to address them.
- Gained an understanding of the oversight exercised by Those Charged with Governance over management's fraud-related processes.
- Discussed fraud risks with Those Charged with Governance, including risks specific to the entity's business sector and operating environment.
- Assessed the effectiveness of management's controls designed to mitigate fraud risks.
- Determined an appropriate audit strategy to respond to the identified fraud risks.
- Performed mandatory procedures regardless of identified fraud risks, including testing journal entries and other adjustments made during financial statement preparation.
- Undertook procedures to identify significant unusual transactions.
- Considered the presence of management bias in key accounting estimates and judgments.

# Areas of Audit Focus

## Inappropriate capitalisation of revenue expenditure (including Revenue Expenditure Funded from Capital Under Statute)

 Fraud Risk

### What is the risk, and the key judgements and estimates?

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

For the Council and Group Financial Statements we have assessed the risk is most likely to occur through the inappropriate capitalisation of revenue expenditure.

### What are our conclusions?

The Council's 2024/25 financial statements discloses £99.6 million of capital additions in Property, Plant and Equipment, no capital additions in Investment Properties and £5.9 million of REFCUS expenditure.

We have completed our work on capital additions and REFCUS and have not identified any additions that were incorrectly capitalised or REFCUS items which did not meet the statutory definition.

Our testing of year end journals did not identify any movements from expenditure to capital outside of the normal course of business.

### Our response to the key areas of challenge and professional judgement

In response to this risk, we undertook the following procedures:

- Tested Property, Plant and Equipment (PPE) / Investment Property (IP) additions to ensure that the expenditure incurred and capitalised was clearly capital in nature.
- Assessed whether the capitalised spend clearly enhanced or extended the useful life of asset rather than simply repairing or maintaining the asset on which it was incurred.
- Considered whether any development or other related costs were reasonable to capitalise i.e. the costs incurred were directly attributable to bringing the asset into operational use.
- Tested REFCUS to ensure that it was appropriate for the revenue expenditure incurred to be financed from ringfenced capital resources.
- Identified and understood the basis for significant journals transferring expenditure from revenue to capital codes on the general ledger at the end of the year.

# Areas of Audit Focus

## Accounting adjustments made in the 'Movement in Reserves Statement

### △ Fraud Risk

#### What is the risk, and the key judgements and estimates?

The Council is under financial pressure to achieve its revenue budget. Manipulating expenditure is a key way of achieving these targets.

We consider the risk applies to accounting adjustments made in the Movement in Reserves Statement.

The adjustments between accounting basis and funding basis under Regulation changes the amounts charged to General Fund balances. Regulations are varied and complex, resulting in a risk that management misstatement accounting adjustments to manipulate the General Fund balance. We have identified the risk to be highest for adjustments concerning the Minimum Revenue Provision (MRP).

#### Our response to the key areas of challenge and professional judgement

In response to this risk, we undertook the following procedures:

- Reconciled entries for consistency to other audited accounts within the Financial Statements, for example our work on Property, Plant and Equipment to support adjustments made for depreciation, impairments, revaluation losses, and application of capital grants;
- Reviewed the Council's policy and application of the 'Minimum Revenue Provision' (MRP) and tested the accuracy of the adjustments made for MRP; and
- Used our data analytics tool to identify and test journal entry adjustments made in the movement in reserves statement.

#### What are our conclusions?

We have completed our work on adjustments in the Movements in Reserves Statement (MiRS) and have not identified any transactions or movements made to the MiRS outside of the normal course of business.

Entries were found to be consistent to other areas of the financial statements, and our testing of journals did not identify any instances of inappropriate posting to the MiRS.

Our testing of the Minimum Revenue Provision (MRP) did not identify any misstatements or inappropriate adjustments.

# Areas of Audit Focus

## Valuation of Investment Property

 Significant Risk

### What is the risk, and the key judgements and estimates?

Investment Property represents a significant balance in Council and Group Financial Statements (2023/24: £102.69 million).

Management is required to make material judgments and apply estimation to calculate the year-end balances recorded in the Balance Sheet.

### What are our conclusions?

We have completed our work on this risk.

In 2024/25, the Group financial statements discloses £110.1 million of Investment Property assets, of which £46.7 million are held by the Council, with the remaining £63.4 million being held by Mercury Land Holdings Ltd.

We did not identify any specific changes to assets that had occurred that required communication to the valuer.

Testing of accounting entries confirmed they had been correctly processed in the financial statements.

We found no issues with the disclosure made in the accounts concerning the material uncertainty relating to year end valuations.

### Our response to the key areas of challenge and professional judgement

In response to this risk, we undertook the following procedures:

- Considered the work performed by the Council's valuer, including the adequacy of the scope of the work performed, their professional capabilities and results of their work.
- Sample tested key asset information used by the valuer in performing their valuation (e.g. market rent)
- For a sample of Investment Property valuations engaged our internal specialist, EY Real Estate, to review the valuations, assumptions and conclusions reached by the external valuer.
- Considered the annual cycle of valuations to ensure that investment properties had been valued annually as required by the Code.
- Tested accounting entries have been correctly processed in the Financial Statements.

# Areas of Audit Focus

## Valuation of Investment Property (Continued)

### What are our conclusions (continued)?

Our Internal Valuers review identified one asset outside of a reasonable valuation range. The property at 39-43 South Street, Romford (occupied by M&S) is recorded in the financial statements at £12.4 million. The current lease is due to expire in March 2027; however, the valuation assumes continuation beyond this date. At the balance sheet date and the date of this report, the lease renewal remains uncertain, with the Council in negotiations with M&S regarding rent, lease terms, and potential capital contributions for refurbishment. Given this uncertainty, we estimate the fair value at the balance sheet date to be within a reasonable range of £7.3 million to £9.8 million, as an investor would not pay the same price for an asset with only two years remaining on the lease compared to one with a new medium to long-term lease. This results in an overstatement in the valuation of the asset by a minimum of £2.6 million as at 31 March 2025 (being the difference of the Council's valuation to the top of our reasonable range).

Management have chosen not to adjustment for this judgmental audit difference. Further details can be found in Section 05 of this report.

Our Internal Valuers identified one observation regarding the valuation methodology employed by the Council's valuer.

In the UK market, yields used for valuing Investment Properties at fair value are typically quoted on a net basis. Net yields include purchaser costs such as stamp duty and agency fees and are generally around 6.8%. Therefore, an adjustment is normally required to remove these purchaser costs to derive an asset's fair value.

Our internal valuers noted that the Council's valuers do not make any adjustment for purchaser costs. They state that they use gross yields, which already incorporates this adjustment. This approach differs from the majority of the market, which uses net yields. As a result, comparing the Council's valuers yields directly to published market yields is not possible because they are calculated on a different basis, adding complexity to the valuation process which then requires additional audit procedures for us to gain comfort over the valuations.

For Investment Properties held in Mercury Land Holdings LLP, we have obtained assurance from the subsidiary auditors through their reporting to us and our detailed review of their audit files. The subsidiary auditors did not identify any misstatements relating to the valuation of Investment Properties by the subsidiary's external valuers and we concluded that we could rely on the work of the subsidiary auditors.

# Areas of Audit Focus

## The accounting treatment and valuation of inventory held in the group subsidiaries

△ Significant Risk

### What is the risk, and the key judgements and estimates?

The group subsidiaries have material inventory (£32.6 million in 2023/24) held as a current asset in the balance sheet in the subsidiaries Financial Statements. The Group Financial Statements records this balance as a non-current asset within Property, Plant & Equipment. Given the difference in accounting treatment there is a risk that these balances maybe incorrectly accounted for in the Group Financial Statements.

Should these assets be inventory in nature they should be measured at lower of cost and net realisable value which requires the use of assumptions, judgements and estimates regarding the expected returns from the project and total costs to complete the development. The variances between these assumptions and actual events could have a material impact on the ultimate net realisable value.

### What are our conclusions?

We have completed our work on this risk.

Management did not provide an assessment of the accounting treatment for these inventory balances. Consequently, we performed our own assessment against the CIPFA Code of Practice and relevant accounting standards.

As at 31 March 2025, two of the Council's subsidiaries, Bridge Close Regeneration LLP and Rainham and Beam Park Regeneration LLP, held inventory at cost totalling £39.3 million (£36.9 million at Bridge Close Regeneration LLP and £2.4 million at Rainham and Beam Park Regeneration LLP). Inventory is accounted for under IAS 2 by the subsidiaries.

We obtained assurance from the subsidiary auditors that the inventory cost was accurate in the subsidiary accounts and confirmed reliance on their work through our file review and evaluation of their responses to our group instructions.

Upon consolidation, these inventory balances were reclassified in the Group's Balance Sheet as Assets Under Construction within Property, Plant and Equipment under IAS 16, also at cost.

Our review and testing of the 'cost' did not identify any misstatements, as the components of the inventory cost were allowable under IAS 16. We also assessed the accounting treatment of reclassifying inventory to Assets Under Construction upon consolidation and concluded that the treatment was appropriate, given the intention to develop property assets for subsequent sale to the Council for its use.

### Our response to the key areas of challenge and professional judgement

In response to this risk, we undertook the following procedures:

- Requested Management to prepare an assessment as to the accounting treatment of these 'inventory' balances against the requirements of the CIPFA Code of Practice considering the nature of these balances.
- Tested Managements assessment to confirm the appropriate accounting treatment in the Group Financial Statements.
- Prepared Group Instructions for the component auditors of the Council's subsidiaries; and,
- Reviewed the work undertaken by component auditors and determined whether we could place reliance on their work to obtain assurance over the Inventory balances consolidated into the group accounts.

# Areas of Audit Focus

## Consolidation procedures in the Group Financial Statements

 Significant Risk

### What is the risk, and the key judgements and estimates?

The Council prepares group accounts to consolidate Mercury Land Holdings Limited, Bridge Close Regeneration LLP, Havering & Wates Regeneration LLP and Rainham & Beam Park Regeneration LLP. In 20/21, we identified a number of misstatements with the intercompany elimination adjustments.

In 2023/24 we prepared and sent group instructions to the subsidiary auditors. We did not receive all responses to these instructions and therefore were unable to obtain assurance that the level of errors identified in 2020/21 have been rectified and reduced in subsequent years.

Given the nature and extent of the errors found in prior years, we consider this to be significant risk as the balances consolidated into the group accounts may be materially misstated. Management will also need to consider the timing of the subsidiary audits to ensure that subsidiary auditors are able to complete their procedures to allow reporting to us as a group auditor during our audit.

### What are our conclusions?

We have completed our work on this risk.

We did not identify any issues with the Council's assessment of its group boundary.

We obtained responses and assurances from the subsidiary auditors in line with our group instructions. Our review of their work confirmed that we were able to place reliance on their procedures to obtain assurance over consolidated balances.

Our testing of the consolidation process and intercompany eliminations indicated that the procedures implemented by management were appropriate. We identified no misstatements related to the consolidation of group balances and disclosures.

Additionally, we tested the differences in accounting policies between the subsidiaries and the group and found no differences which led to any misstatements.

### Our response to the key areas of challenge and professional judgement

In response to this risk, we undertook the following procedures:

- Reviewed the Council's assessment of its group boundary and the significance of the components in the group Financial Statements;
- Prepared group instructions for the component auditors of the Council's subsidiaries;
- Reviewed the work undertaken by component auditors and determined whether we can place reliance on their work to obtain assurance over the balances consolidated into the group accounts;
- Ensured that appropriate consolidation procedures are applied in line with the Code of Practice when consolidating subsidiaries into the Council's group Financial Statements;
- Understood the process for consolidation;
- Understood transactions between group subsidiaries and tested that the appropriate accounting entries have been made to eliminate inter-group transactions;
- Understood and tested the differences in accounting policies, ensured that the appropriate adjustments are made on consolidation to align accounting policies set for the group; and
- Reviewed the disclosures in the group Financial Statements and ensured that they are materially accurate and complete.

# Areas of Audit Focus

## IFRS 16 Implementation

### Inherent Risk

#### What is the risk, and the key judgements and estimates?

IFRS 16 Leases is applicable in local government for periods beginning 1 April 2024. It has been adopted, interpreted and adapted in the 2024/24 CIPFA Code of Practice on Local Authority Accounting which sets out the financial reporting framework for the Council and Group's 2024/25 Financial Statements.

IFRS 16 eliminates the operating/finance lease distinction for leases and imposes a single model geared towards the recognition of all but low-value or short-term leases. Where the Council is lessee these will now be recognised on the Balance Sheet as a 'right of use' asset and lease liability reflecting the obligation to make lease payments.

Successful transition will depend on the Council having captured additional information about leases, both new and existing, especially regarding future minimum lease payments. The Council will also have had to develop systems for capturing cost information that are fit for purpose, can respond to changes in lease terms and the presence of any variable (e.g., RPI-based) lease terms where forecasts will need to be updated annually based on prevailing indices.

The Council performed an initial impact assessment in 2023/24 and expected to recognise a right of use asset of £11.5 million.

#### What are our conclusions?

We have not been able to complete our procedures over IFRS 16 implementation.

We performed procedures to gain an understanding of the Council's implementation of IFRS 16, including its processes, controls, and related policies.

We commenced testing of leases; however, we were unable to complete these procedures as we could not obtain sufficient assurance over the valuation of the right-of use (ROU) assets or the valuation of the lease liabilities. The Council holds a significant number of property leases accounted for as ROU assets. During our testing of lease liability and ROU values on a sample basis, we identified the following:

- 1) **Incorrect Lease Terms:** For some sampled leases, the lease term applied was incorrect, resulting in factual misstatements. While these were immaterial on an individual asset basis, further consideration is required regarding the potential impact across the untested population.
- 2) **Unsupported Lease Terms:** For certain leases, the applied lease term lacked supporting evidence. A three-year term had been used based on anticipated future lease agreements, which have not yet been finalized or signed. Some leases have been rolling since 2009, raising concerns about whether a three-year assumption is appropriate given the absence of signed agreements.

A recommendation addressing these matters is included in Section 06.

#### Our response to the key areas of challenge and professional judgement

In response to this risk, we undertook the following procedures:

- Gained an understanding of the processes and controls developed by the Council relevant to the implementation of IFRS 16. We will pay particular attention to the Council's arrangements to ensure lease and lease-type arrangements considered are complete.
- Reviewed the discount rate that is used to calculate the right of use asset and assess its reasonableness.
- Reviewed management policies, including whether to use a portfolio approach, low value threshold, and asset classes where management is adopting as the practical expedient to non-lease components.
- Gained assurance over the right of use asset included in the 2024/25 Financial Statements
- Sample tested leases to ensure that transition arrangements have been correctly applied.
- Considered the accounting for leases provided at below market rate, including peppercorn and nil consideration, and the need to make adjustments to cost in the valuation of right of use assets at the balance sheet date.

# Areas of Audit Focus

## Valuation of Land and Buildings and Council dwellings

### Inherent Risk

#### What is the risk, and the key judgements and estimates?

The valuation of land and buildings and Council dwellings represent significant balance in the Council's Financial Statements (2023/24: £1.30 billion). These balances are subject to valuation changes, impairment reviews, and depreciation charges. In calculating amounts recorded in the balances sheet, management are required to make material judgements and apply estimation techniques. We consider that the judgments and estimates made by management are likely to have a material impact on the valuation of these assets.

ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of experts and assumptions underlying fair value estimates.

The Council performed an initial impact assessment in 2023/24 and expected to recognise a right of use asset of £11.5 million.

#### What are our conclusions?

We have completed our work on this risk.

We have not identified any issues from our review of the work performed by the valuer over the Council's assets, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work.

No specific asset changes requiring communication to the valuer were noted. We also identified no issues regarding useful economic lives as a result of the most recent valuation. All assets were appropriately revalued within the Council's five-year rolling programme, and testing confirmed that accounting entries were correctly processed in the financial statements.

During our review, we noted an issue with the valuation methodology applied to assets valued under the Depreciated Replacement Cost approach. For the 2024/25 valuation cycle, the valuer applied an average build cost adjustment of 1% based on general asset categories commonly used by Councils. For two specific assets, Harold Hill Youth Facility and Upminster Crematorium, the actual changes in build rates for their respective categories were significantly different, at -18% and +32%. Although the current-year impact is immaterial, this approach could result in a material misstatement in future valuation periods if similar variances occur.

A recommendation addressing this matter is included in Section 06.

#### Our response to the key areas of challenge and professional judgement

In response to this risk, we undertook the following procedures:

- Considered the work performed by the valuer, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- Sample tested key asset information used by the valuer in performing their valuation (e.g. floor plans to support valuations based on price per square metre);
- Considered the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE. We also considered if there are any specific changes to assets that have occurred and that these have been communicated to the valuer;
- Reviewed assets not subject to valuation in 2024/25 to confirm that the remaining asset base is not materially misstated;
- Considered changes to useful economic lives as a result of the most recent valuation; and
- Tested accounting entries have been correctly processed in the Financial Statements.

# Areas of Audit Focus

## Pension Liability valuation

### Inherent Risk

#### What is the risk, and the key judgements and estimates?

The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its Financial Statements regarding its membership of the Local Government Pension Scheme administered by the Council.

The Council's pension fund asset is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. At 31 March 2024 this totalled £92.84 million.

The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the Council.

Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

#### What are our conclusions?

We have completed our work on this risk.

We obtained assurance from the Havering Pension Fund auditor regarding the information supplied to the actuary.

We have reviewed the assessment of the Pension Fund actuary by PwC and EY Pensions and identified no issues with the assumptions and methodologies applied by the Actuary.

We have agreed the Council's IAS 19 disclosures to the actuaries' report and ensured these are fairly stated in the accounts.

As at 31 March 2025, the Pension balance was an asset, requiring application of the asset ceiling under IFRIC 14. The draft financial statements were based on an initial IAS 19 report, adjusted by Management to reflect IFRIC 14 and the asset ceiling. Management subsequently obtained an updated IAS 19 report from the actuary incorporating IFRIC 14. This updated report confirmed that the draft financial statements were not misstated but required adjustments to certain disclosures in Note 42.

Our EY Pensions team reviewed the updated IAS19 report, and found that the estimate was appropriate, and the balance calculated by the actuary fell within a reasonable range.

#### Our response to the key areas of challenge and professional judgement

In response to this risk, we undertook the following procedures:

- Liaised with the auditors of London Borough of Havering Pension Fund, and obtained assurances over the information supplied to the actuary in relation to the London Borough of Havering;
- Assessed the work of the Pension Fund actuary (Hymans Robertson) including the assumptions they have used, by relying on the work of PwC - Consulting Actuaries commissioned by the National Audit Office for all local government sector auditors, and consider relevant reviews by the EY actuarial team; and
- Evaluated the reasonableness of the Pension Fund actuary's calculations by comparing them to the outputs of our own auditor's specialist's model; and
- Reviewed and tested the accounting entries and disclosures made within the Council's Financial Statements in relation to IAS19.

# Areas of Audit Focus

## Accounting for impairments of Receivables

### Inherent Risk

#### What is the risk, and the key judgements and estimates?

The impairment of Receivables (Bad debt provision) is a material estimate in the Council's Financial Statements (£56.7 million in 2023/24). The estimate is made up of several separate complex calculations which requires management to make a number of accounting judgements as to the recoverability of debt. In 2023/24 we identified a number of immaterial misstatements and there therefore remains an inherent risk of misstatement over this balance.

#### Our response to the key areas of challenge and professional judgement

In response to this risk, we undertook the following procedures:

- Reviewed the calculation of the bad debt provision for reasonableness and accuracy; and
- Reperformed the bad debt calculation and test managements judgements regarding the recoverability of debt by testing a sample of trade receivables.

#### What are our conclusions?

We have been unable to complete our procedures over the accounting for impairments of Receivables.

The Council's Bad Debt Provision (impairment) for 2024/25 is £66.2 million, reducing total Short-term Debtors from £140.9 million to £74.7 million as disclosed in the Balance Sheet. This provision comprises several individual elements, including Council Tax, NNDR, Housing, Housing Benefit, Social Services, Parking Enforcement, and Other Sundry Debtors.

Our review of supporting working papers during detailed testing identified that many of these provisions are based from historic data dating back to 2017/18, with an accumulating effect each subsequent year. The methodology applies a 100% provision for the oldest debts, with a reducing provision for more recent years.

Given that we issued disclaimed opinions for 2021/22, 2022/23, and 2023/24 and have not performed rebuild assurance work, we are unable to obtain assurance over the bad debt provision because these disclaimed years are included in the balance.

A recommendation addressing this matter is included in Section 06.

# Areas of Audit Focus

## Going Concern Disclosure

### △ Inherent Risk

#### What is the risk, and the key judgements and estimates?

The Council's updated Medium Term Financial Strategy, estimates a budget gap of £72.1 million in 2025/26 which rises to £183.4 million over the next four years. In February 2025, the Secretary of State approved a capitalisation direction of £88.0 million for the financial year 2025/26 following approved support of £32.5 million in 2024/25 and £18.1 million in 2023/24.

Given the continuing financial support from the Secretary of State to enable the provision of core services, it is unlikely that the Council will be unable to continue operating as a going concern, but there is a risk that the Council and Group's Going Concern disclosure note does not adequately reflect the Council and Group's financial position and requirement for exceptional financial support.

#### What are our conclusions?

We have completed our review and testing of the Council's going concern disclosure and conclude that it adequately reflects the Council's financial position and requirements exception financial support.

The provisions of the CIPFA Code of Practice on Local Authority Accounting in respect of going concern reporting requirements reflect the economic and statutory environment in which local authorities operate. These provisions confirm that local authorities cannot be created or dissolved without statutory prescription and that they must prepare their financial statements on a going concern basis of accounting.

Local authorities carry out functions essential to the local community, are themselves revenue-raising bodies and the financial reporting framework (Practice Note 10) presumes the continuation of service provision. However, the Council is required to carry out a going concern assessment that is proportionate to the risks it faces. Under the auditing standard in relation to going concern (ISA570), the Council is required to ensure that its going concern disclosure within the Financial Statements adequately reflects its going concern assessment and in particular highlights any uncertainties it has identified.

#### Our response to the key areas of challenge and professional judgement

In response to this risk, we undertook the following procedures:

- We will meet the requirements of the revised auditing standard on going concern (ISA 570) and consider the adequacy of the Council's going concern assessment and its disclosures in the Financial Statements by:
  - Testing the appropriateness of the Council's going concern disclosure to corroborating evidence, including
    - the Council's cashflow forecast and the Council's consideration of whether it has sufficient liquidity to continue to operate as going concern.
    - The Council's latest medium term financial plan and budget monitoring reports to confirm the position of its reserves and projected budget gaps.
- Undertaking a 'stand back' review to consider all of the evidences obtained, whether corroborative or contradictory, when we draw our conclusions on going concern.



# 03 Value for Money

# Value for Money

## The Authority's responsibility for Value for Money (VFM)

The Council is required to maintain an effective system of internal control that supports the achievement of its policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at its disposal.

As part of the material published with its financial statements, the Council is required to bring together commentary on its governance framework and how this has operated during the period in a governance statement. In preparing its governance statement, the Authority tailors the content to reflect its own individual circumstances, consistent with the requirements set out in the NAO Code of Audit Practice. This includes a requirement to provide commentary on its arrangements for securing value for money from their use of resources.

## Risk assessment and status of our work

We are required to consider whether the Council has made 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.

Our value for money planning and the associated risk assessment is focused on gathering sufficient evidence to enable us to document our evaluation of the Council's arrangements, to enable us to draft a commentary under three reporting criteria (see below). This includes identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations.

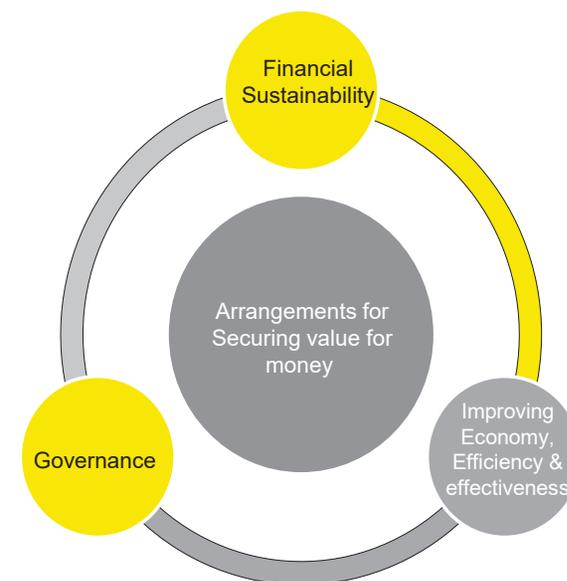
We will provide a commentary on the Council arrangements against three reporting criteria:

- Financial sustainability - How the Council plans and manages its resources to ensure it can continue to deliver its services;
- Governance - How the Council ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness - How the Council uses information about its costs and performance to improve the way it manages and delivers its services.

In our Audit Plan dated 28 April 2025, we reported that we had not completed our Value for Money (VFM) risk assessment. Having updated and completed the risk assessment and associated planned procedures, we have identified three risks of significant weakness.

We are in the process of completing our audit procedures in relation to the three risks of weakness. These are set out on the following page.

Based on evidence to date, we expect to conclude that one of these risks represent significant weaknesses in the Council's underlying arrangements. We therefore anticipate that we will have 'Other matters' to report by exception within our Audit Report. See the following page for details of the risk of significant weakness identified.



# Corporate Governance (continued)

## Risk of significant weakness in VFM arrangements

What is the risk of significant weakness?	What arrangements did this impact?	What did we do?
<p><b><u>OFSTED inspection findings</u></b></p> <p>In 2023/24 we reported a significant weakness relating to the outcome of an Ofsted inspection report, where the overall effectiveness in respect of the Council's Children's Service has been rated as 'inadequate'. Without an appropriate and timely response to the report findings, and how effective those responses have been, constitutes a risk of weakness in 2024/25.</p>	<p>Improving economy, efficiency and effectiveness:</p> <p>How the body uses information about its costs and performance to improve the way it manages and delivers services.</p>	<p>Our approach focused on:</p> <ul style="list-style-type: none"> <li>Assessing the arrangements the Council has put in place to address the issues raised in the Ofsted inspection report.</li> <li>Assessed the progress the Council has made against action plans to address the issues raised in the Ofsted inspection report.</li> <li>Enquired of and considered the impact of any additional reporting in respect to children's services</li> </ul>
<p><b><u>Governance of Group subsidiaries</u></b></p> <p>The Council consolidates four subsidiaries into the Group Financial Statements. These subsidiaries are audited by three different auditors and in 2023/24 the group subsidiary auditors did not fully respond to our group instructions prior to the 2023/24 backstop date. The lack of timely assurance from the subsidiary auditors, over which the Council has responsibility, could give rise to a risk within any of the subsidiary bodies of which Members are not aware.</p> <p>We have therefore identified a risk of weakness relating to the governance of these subsidiaries and timely financial reporting.</p>	<p><b>Governance:</b></p> <p>How the body ensures that it makes informed decisions and properly manages its risks.</p>	<p>Our approach focused on:</p> <ul style="list-style-type: none"> <li>Reviewed the governance arrangements for the Group and the ability for those charged with governance to have appropriate oversight to enable the Council to make informed decisions.</li> <li>Considered Management's plans to ensure subsidiaries report to the group in a timely basis.</li> </ul>
<p><b><u>Potential fraud and internal control weaknesses</u></b></p> <p>The Head of Internal Audit's audit opinion for 2024/25 was one of 'limited assurance' as reported to the Audit Committee in July 2025. This limited assurance opinion was based on several potential frauds identified within the Council and as a result the identification of several internal control weaknesses.</p>	<p><b>Governance:</b></p> <p>How the body monitors and assess risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud.</p>	<p>Our approach focused on:</p> <ul style="list-style-type: none"> <li>Reviewed Internal Audits reports and findings relating to the potentially fraudulent activity.</li> <li>Employed our own Forensics experts to review the work undertaken by Internal Audit to confirm that work completed was robust and adequately designed to assess the impact of the potential frauds on the Council.</li> <li>Assessed the impact of the potentially fraudulent activity on the Councils compliance with Laws and Regulations.</li> <li>Assessed the progress the Council has made against action plans to address the weakness identified by Internal Audit.</li> </ul>

# Corporate Governance (continued)

## Risk of significant weakness in VFM arrangements

### Findings

We have completed our audit procedures in relation to the three risks of weakness and have concluded the following:

#### **OFSTED inspection findings**

No significant weakness in arrangements identified.

#### **Governance of Group subsidiaries**

No significant weakness in arrangements identified.

#### **Potential fraud and internal control weaknesses**

We have identified a significant weakness in arrangements.

The limited assurance opinion reported by Internal Audit reflects instances of potentially fraudulent activity identified in the final quarter of 2024/25 which highlight weaknesses in the Council's budgets monitoring arrangements. These incidents highlight common issues regarding the robustness of management oversight of expenditure in each of the respective services. Given that this potentially fraudulent activity have all occurred in distinct business areas, this gives rise to concern that budgets are not being monitored effectively and increases the risk that the Council is incurring unnecessary expenditure.

We will include an 'Other matter' to report by exception within our Audit Report.

We will issue our VFM narrative commentary, including the findings in relation to the risk of significant weakness, in our 2024/25 Auditor's Annual Report. We have issued a draft commentary to Management, on the 27 November 2025, and we expect to issue our final report in March 2026.



# 04 Audit Report

## Draft Audit Report

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LONDON BOROUGH OF HAVERING

#### Disclaimer of Opinion

We were engaged to audit the financial statements of London Borough of Havering ('the Council') and its subsidiaries (the 'Group') for the year ended 31 March 2025. The financial statements comprise the:

- ▶ Council and Group Movement in Reserves Statement,
- ▶ Council and Group Comprehensive Income and Expenditure Statement,
- ▶ Council and Group Balance Sheet,
- ▶ Council and Group Cash Flow Statement,
- ▶ the related notes 1 to 42 including material accounting policy information and including the Expenditure and Funding Analysis,
- ▶ Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, and the related notes 1 to 5,
- ▶ Collection Fund and the related notes 1 to 3.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.

We do not express an opinion on the accompanying financial statements of the Council. Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

#### Basis for disclaimer of opinion

The Accounts and Audit (Amendment) Regulations 2024 (Statutory Instrument 2024/907) ("the Regulations") which came into force on 30 September 2024 required the accountability statements for the year ended 31 March 2025 to be approved not later than 27 February 2026 ('the backstop date').

Our planned audit work in the current year was focused on transactions in the year and the current year balance sheet.

Due to the disclaimers of opinion on the financial statements in the prior years and delays in receiving associated audit evidence, we have not been able to complete the detailed audit procedures that would be needed to obtain sufficient appropriate audit evidence to issue an unmodified audit report on the Council's financial statements for the year ended 31 March 2025.

Therefore, we are disclaiming our opinion on the financial statements.

## Draft Audit Report

The audits of the financial statements for the years ended 31 March 2022, 31 March 2023 and 31 March 2024 for London Borough of Havering were not completed for the reasons set out in our disclaimers of opinion on those financial statements dated 10 December 2024 and 26 February 2025 respectively.

In addition, we draw attention to the uncertainty in respect of the Council's funding position for 2025/26 and beyond as set out in Note 1.

### Matters on which we report by exception

Notwithstanding our disclaimer of opinion on the financial statements we have nothing to report in respect of whether the annual governance statement is misleading or inconsistent with other information forthcoming from the audit, performed subject to the pervasive limitation described above, or our knowledge of the Group and the Council.

We report to you if:

- ▶ we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 (as amended)
- ▶ we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014 (as amended)
- ▶ we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 (as amended)
- ▶ we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 (as amended)
- ▶ we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014 (as amended).

We have nothing to report in these respects.

In respect of the following, we have matters to report by exception:

### Report on the Group and the Council's proper arrangements for securing economy, efficiency and effectiveness in the use of resources

We report to you, if we are not satisfied that the Group and the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2025.

On the basis of our work, having regard to the Code of Audit Practice 2024 and the guidance issued by the Comptroller and Auditor General in November 2024, we have identified the following significant weaknesses in relation to the specified reporting criteria of the Group and the Council's proper arrangements for securing economy, efficiency and effectiveness in the use of resources for the year ended 31 March 2025.

## Draft Audit Report

### Significant weaknesses in arrangements

#### In relation to governance

#### Our judgement on the nature of the weaknesses identified:

The Head of Internal Audit gave a limited assurance opinion for 2024/25 due to instances of potential fraud in the final quarter of the year, highlighting weaknesses in the Council's budget monitoring. These incidents point to insufficient management oversight of spending across various services, raising concerns about ineffective budget monitoring and an increased risk of unnecessary costs for the Council.

The evidence on which our view is based:

- The Head of Internal Audit's 2024/25 audit opinion.
- Internal audit and the Council's Counter Fraud teams reports and their detailed testing and investigations.
- Meetings with Council Management, Internal Audit and the Counter Fraud.

#### The impact on the Council:

Failure by the Council to take appropriate corrective actions to address the identified weaknesses in internal control may increase exposure to potential fraud or errors that result in unnecessary expenditure.

#### The action the body needs to take to address the weakness:

Strengthen internal controls by fully implementing the Improvement action plans developed by Internal Audit.

### Responsibility of the Chief Financial (Section 151) Officer

As explained more fully in the Statement of the Chief Financial Officer (Section 151) Responsibilities set out on page 16, the Chief Financial (Section 151) Officer is responsible for the preparation of the Statement of Accounts, which includes the Group and Council financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, for being satisfied that they give a true and fair view and for such internal control as the Chief Financial (Section 151) Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Financial (Section 151) Officer is responsible for assessing the Group and the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Group and the Council either intends to cease operations, or has no realistic alternative but to do so.

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

## Draft Audit Report

### Auditor's responsibilities for the audit of the financial statements

Our responsibility is to conduct an audit of the Group and the Council's financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor's report.

However, because of the matter described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Group and the Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Code of Audit Practice 2024 and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice 2024, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General in November 2024, as to whether London Borough of Havering had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether London Borough of Havering put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2025.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether London Borough of Havering had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 (as amended) to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

### Certificate

We cannot formally conclude the audit and issue an audit certificate until the National Audit Office, as group auditor, has confirmed that no further assurances will be required from us as component auditor of the Council.

Until we have completed these procedures, we are unable to certify that we have completed the audit of the accounts in accordance with the requirements of the Local Audit and Accountability Act 2014 (as amended) and the Code of Audit Practice issued by the National Audit Office.

### Use of our report

This report is made solely to the members of London Borough of Havering, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 (as amended) and for no other purpose, as set out in paragraph 85 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Group and the Council's members as a body, for our audit work, for this report, or for the opinions we have formed.



# 05 Audit Differences

# Audit Differences

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as 'known' or 'judgemental'. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

## Summary of Adjusted differences

We highlight the following misstatements greater than £0.40 million which have been corrected by management that were identified during the course of our audit.

**1. Known difference: Depreciation** - Our testing of depreciation identified seven Vehicle, Plant and Machinery assets where no depreciation had been charged in the year. These assets were capital additions in 2023/24 and therefore should have been depreciated for the first time in 2024/25 but had been incorrectly omitted from the 2024/25 depreciation calculation exercise.

This has the following impact:

Dr CIES - Net Cost of Services Depreciation Charge £2.3 million

Cr Balance Sheet - Property, Plant and Equipment £2.3 million

**2. Known difference: Short-term Debtors** - Management identified a £3.5 million Creditor that had been incorrectly classified as a Short-term Debtor. This amount should have been recorded as a Short-term Creditor and relates to sums owed to the Department for Work and Pensions for Housing Benefit Subsidy.

This has the following impact:

Dr Balance Sheet - Debtors £3.5 million

Cr Balance Sheet - Creditors £3.5 million

**3. Known difference: NNDR Income** - Our testing of NNDR Income in Taxation and Non-specific Grant Income identified that £3.5 million was incorrectly classified in Net Cost of Services.

This has the following impact:

Dr CIES - Net Cost of Services Expenditure £3.5 million

Cr CIES - Taxation and Non-specific Grant Income £3.5 million

**4. Known difference: Grossing up of recharges** - Management identified and has corrected for misstatements in the draft Comprehensive Income and Expenditure Statement of £15.4 million as both income and expenditure were overstated due to the incorrect grossing up of recharges. This adjustment reduces both expenditure and income within Cost of Services and does not impact the Net Cost of Services.

This has the following impact:

Dr CIES - Net Cost of Services Income £15.4 million

Cr CIES - Net Cost of Services Expenditure £15.4 million

# Audit Differences (Continued)

## Disclosure differences

During the audit, we identified a number of non-material internal inconsistencies, disclosure, typographical and arithmetic errors in the draft financial statements.

We also identified several disclosure misstatements, the most significant of these being:

Note 18 - Financial instruments: A number of disclosure adjustments were required to the disclosed balances in table b of the note.

Note 19 - Debtors: Management identified that £5.3 million of Housing bad debt impairments had been incorrectly included within the gross Debtors balance, this understated the Gross and Impairment Allowance balances within the Debtors note. This has no impact on the net Debtors balance in the note or the Balance Sheet.

Note 32 - Officers Remunerations: the disclosure did not include all payments and employers contributions for all senior officers disclosed.

Note 42 - Defined Benefit Pension Schemes: Several disclosure adjustments were required to the note following receipt of a combined IAS19/IFRIC 14 Actuarial report. Refer to Section 02 for further details.

## Summary of Unadjusted differences

In addition, we highlight the following misstatement greater than £0.40 million to the financial statements and/or disclosures which were not corrected by management. We ask that the Audit Committee request of management that these uncorrected misstatements be corrected or a rationale as to why they are not corrected be considered and approved by the Audit Committee and provided within the Letter of Representation:

**1. Judgemental difference: Investment Properties** - Our Internal Valuers review determined a reasonable range for the property at 39-43 South Street, Romford (occupied by M&S) to be between £7.3 million to £9.8 million. The draft financial statements record the property at £12.4 million, resulting in a judgmental minimum overstatement of £2.6 million (to the top of the reasonable range).

This has the following impact:

Dr CIES - Financing and Investment Income and Expenditure £2.6 million

Cr Balance Sheet - Investment Properties £2.6 million



06

# Assessment of Control Environment

# Assessment of Control Environment

## Financial controls

It is the responsibility of the Council to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Council has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

We have reviewed Internal Audit reports issued to Management in respect of the 2024/25 financial year to consider any financial statement risks that could be identified through any limited assurance opinions by the Head of Internal Audit and therefore the impact on the extent of our audit procedures.

The Head of Internal Audit's audit opinion for 2024/25 was one of 'limited assurance' as reported to the Audit Committee in July 2025. This limited assurance opinion was based on several potential frauds identified within the Council and as a result the identification of several internal control weaknesses. As detailed in Section 03, we have identified a significant weakness in Value for Money (VFM) arrangements relating to these findings and have identified the following recommendations:

Recommendation 1 - Review and document all operational controls to ensure they support effective budget management and identify gaps in oversight, roles, and responsibilities within the service.

Recommendation 2 - Ensure adequate training for Budget Managers, including effective use of financial systems and report generation.

Recommendation 3 - Build dedicated time into work schedules to support proactive budget monitoring and control.

Recommendation 4 - Identify and define the key management information required to support effective budget oversight and decision-making.

Recommendation 5 - Implement clear procedures for budget monitoring and payment approvals.

Recommendation 8 - Ensure there is comprehensive, mandatory and ongoing Fraud Awareness Training for officers.

# Assessment of Control Environment

## Financial controls

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you the following control observations and recommendations:

### 1. Journals:

- As reported in Section 02, we identified one journal where the approval for the journal had been completed via Microsoft Teams and therefore due to the councils 30 day Microsoft Teams message retention policy the approval was unavailable for testing. Whilst there was no evidence of approval for the journal we did not identify any misstatements or indications of fraud from our testing of the journal.

**Recommendation:** All journal approvals should be performed by a method which allows evidence of approval to be retained by the Council.

- As reported in Section 02, We also identified one year-end journal that was posted to correct a series of historic and current system issues and miscoding's. Similar corrective journals have been posted in prior years, indicating that these underlying issues remain unresolved.

**Recommendation:** The Council should undertake a comprehensive review of these recurring adjustments and address the root causes within its financial systems.

### 2. Leases:

- As reported in Section 02, our testing of leases and the implementation of IFRS 16 identified issues in the calculation of lease liabilities and right-of-use (ROU) asset valuations. Specifically, for some sampled leases, the lease term applied was incorrect, and for others, there was no supporting evidence for the lease term used.

**Recommendation:** Management should review its working papers to ensure that lease terms applied to assets are accurate and supported by appropriate lease agreements.

### 3. Land and Building Asset valuations:

- As reported in Section 02, we identified that for assets valued under the Depreciated Replacement Cost approach, the Council's valuer applied an average build cost adjustment rather than the actual build cost for the type being valued..

**Recommendation:** Management should, as part of its review of the specialist's report, ensure that the assumptions and methodologies applied are appropriate and tailored to the specific assets being valued.

### 4. Bad Debt Provision:

- As reported in Section 02, we identified that the Council's Bad Debt Provision is based on historic data going back to 2017/18 accumulating each year with the oldest debts being 100% provided for with a reducing provision for more recent years.

**Recommendation:** Given that the Council's current bad debt provision represents nearly 50% of its outstanding short-term debtors and includes balances dating back to 2017/18, management should review the provision and assess the collectability of these historic debts. While these amounts are fully provided for in the financial statements, the Council should consider whether, given the age of the debts, they should be formally written off.

# Assessment of Control Environment

## Status of previous year's recommendations

Recommendation	Update
Recommendation: We recommend that all reconciliations are performed on a timely basis to support year-end balances.	In 2024/25 all reconciliations reviewed as part of the financial statements audit had been performed on a timely basis.  We therefore deem this recommendation to be closed.

# Assessment of Control Environment

## Preparation of robust draft financial statements, provision of quality working papers and support during the audit

As reported in the Executive Summary, Management, and the Audit Committee, have an essential role in supporting the delivery of an efficient and effective audit. Our ability to complete the audit is dependent on the timely formulation of appropriately supported evidence, access to the finance team and management's responsiveness to issues identified during the audit.

We do however recognise that the last full audit was of the Council's 2020/21 financial statements. Therefore, to support the audit process, we worked with the Council to provide the following areas of support:

- Effectively supporting an external audit training session held with the Finance Team on 27 March 2025
- Planning calls with the Chief Financial Officer.
- Project plan agreed with Management in advance of the audit start date setting out the timing of each audit task.
- Agreement with Management for a 3-day turnaround time for audit queries and 5-day turnaround time for sample evidences.
- Provision of audit evidence matrix for samples to enable evidence is provided right first time.
- Weekly audit priority queries communications and regular calls between audit senior and finance team.

Despite the additional support we have encountered the following during our audit:

- Whilst some working papers were provided in advance of our audit, approximately 20% of the working papers were not provided to the agreed timetable. The most significant of these were working papers relating to Debtors and Creditors. As a result of delays in receiving working papers, we were required to reallocate work and consequently the audit did not progress inline with the agreed project plan.
- We have experienced some delays in the provision of supporting evidence from the Council and in a number of areas the quality of evidence provided to support accounting balances and transactions has not been to the quality required to allow us to conclude work first time, resulting in a significant number of requests for clarification and further evidence.
- During November 2025 Council officers were impacted by changes in IT systems due the Council migrating away from OneSource systems. This resulted in some access issues for Council officers to the Council's own systems, supporting documentation/evidence and access to EY's client portal, delaying responses to audit queries during this key delivery period.

These issues caused slippage to the agreed project plan and inefficient use of the planned audit resources. This resulted in areas of the audit that we were unable to conclude and therefore we are unable to provide assurance over Creditors, Expenditure and Leases which have contributed to our consideration of disclaiming the audit opinion in 2024/25, the level of assurance obtained for 2024/25 is further detailed in Appendix B.

### Preparation of robust draft financial statements, provision of quality working papers and support during the audit (Continued)

**Recommendation:** The Council should continue to enhance its approach for supporting the audit process in the following areas:

#### Build Capacity and Expertise for Audit Support

- Ensure sufficient capacity of skilled finance professionals with the necessary technical knowledge and experience to support the audit.

#### Improve Quality of Audit Working Papers

- Continue to implement robust processes to produce high-quality financial statements supported by complete, accurate, and well-referenced working papers.
- Ensure all responses to audit queries are timely, address the questions raised and include appropriate supporting evidence.

#### Enhance Responsiveness and Communication

- Adhere to agreed turnaround times for audit queries (3 days) and sample evidence (5 days).
- Establish clear escalation protocols for delays or unresolved issues.
- Continue regular communication between audit leads and the Finance Team to monitor progress and resolve issues promptly.



# 07 Other Reporting Issues

# Other Reporting Issues

## Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the London Borough of Havering financial statements 2024/25 with the audited financial statements.

Financial information in the London Borough of Havering financial statements 2024/25 and published with the financial statements was consistent with the audited financial statements.

We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

We have reviewed the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements, and we have no other matters to report.

## Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office (NAO) on your Whole of Government Accounts return. The extent of our review, and the nature of our report, is specified by the NAO.

The Council falls below the £2 billion threshold for audit procedures within the NAO group instructions. We will confirm this position within the Assurance Statement to the NAO at the point of issuing our Audit Report. However, we cannot issue our Audit Certificate until the NAO has confirmed no further procedure are required.

## Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 (the Act) to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Council to consider it or to bring it to the attention of the public (i.e. "a report in the public interest"). We are also able to issue statutory recommendations under Schedule 7 of Section 27 of the Act. Statutory recommendations under Schedule 7 must be considered and responded to publicly and are shared with the Secretary of State.

We did not identify any issues which required us to issue a report in the public interest or to issue statutory recommendations under Schedule 7.



# 08 Independence

# Independence

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and your company, and its directors and senior management and its affiliates, including all services provided by us and our network to your company, its directors and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

## Relationships

There are no relationships from 1 April 2024 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

## Services provided by EY

There are no services provided by EY from 1 April 2024 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity. As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted.

## EY Transparency Report

The [2025 Transparency Report](#) for EY UK provides details regarding the firm's system of quality management, including EY UK's system of quality management annual evaluation conclusion as of 31 October 2025.

## Audit Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Housing, Communities and Local Government.

This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

A breakdown of our fees is shown in the table to the right.

As set out in our Audit Plan the agreed fee presented was based on the following assumptions:

- ▶ Officers meeting the agreed timetable of deliverables;
- ▶ Our financial statements opinion and value for money conclusion being unqualified;
- ▶ Appropriate quality of documentation is provided by the Council; and
- ▶ The Council has an effective control environment
- ▶ The Council complies with PSAA's Statement of Responsibilities of auditors and audited bodies. See <https://www.psa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits/>. In particular, the Council should have regard to paragraphs 26 - 28 of the Statement of Responsibilities.

If any of the above assumptions prove to be unfounded, we seek a variation to the agreed fee. A narrative summary of the areas where we expect to raise scale fee variations for the audit of the Council are set out in the fee analysis on the following page.

# Independence

	Current Year	Prior Year
	£'s	£'s
Scale Fee - Code Work	452,308	421,745
Proposed scale fee variation	TBD Note 2	99,977 Note 1
<b>Total fees</b>	<b>TBD</b>	<b>521,722</b>

All fees exclude VAT

## Notes:

(1) For 2023/24 we submitted a scale fee variation to PSAA covering the following areas:

- Technical Accounting Issues - Additional work required in respect of the Going Concern disclosures.
- VFM additional Risks - Additional audit work required to address VFM risks identified in 2023/24.
- ISA 315 - Additional fee in relation to the implementation of ISA 315 in 2023/24.
- Quality or preparation issues - Additional audit procedures and time required due to quality issues identified in working papers and to address control deficiencies.
- Prior Period Adjustments - Additional work required to audit adjustments made to comparative figures in 2022/23.
- Changes in Materiality - In 2023/24 we were required to lower our Planning Materiality to 1% (from 1.8%) and Performance Materiality to 50% (from 75%) resulting in increased audit testing.
- Disclaimer Planning and Reporting - additional time required to consult in respect of our opinion wording for our disclaimed opinion.

PSAA determined a scale fee variation for 2023/24 of £99,977.

(2) We propose to submit a scale fee variation to PSAA for additional 2024/25 work covering the following areas:

- VFM additional Risks - Additional audit work undertaken to address the three VFM risks identified in 2024/25 including use of internal Forensics team and assessment of the impact of the potentially fraudulent activity on Laws and Regulations.
- Changes in Materiality - In 2024/25 we have again been required to lower our Planning Materiality to 1% (from 1.8%) and Performance Materiality to 50% (from 75%) resulting in increased audit testing.
- Disclaimer Planning and Reporting - additional time required to consult in respect of our opinion wording for our disclaimed opinion.
- Additional audit work required to address significant and other risks identified in 2024/25, including
  - Significant Risk Valuation of Investment Properties - including use of our internal valuation experts.
  - Significant Risk The accounting treatment and valuation of inventory held in the group subsidiaries
  - Significant Risk Consolidation procedures in the Group Financial Statements
  - Other Risk IFRS 16 Implementation

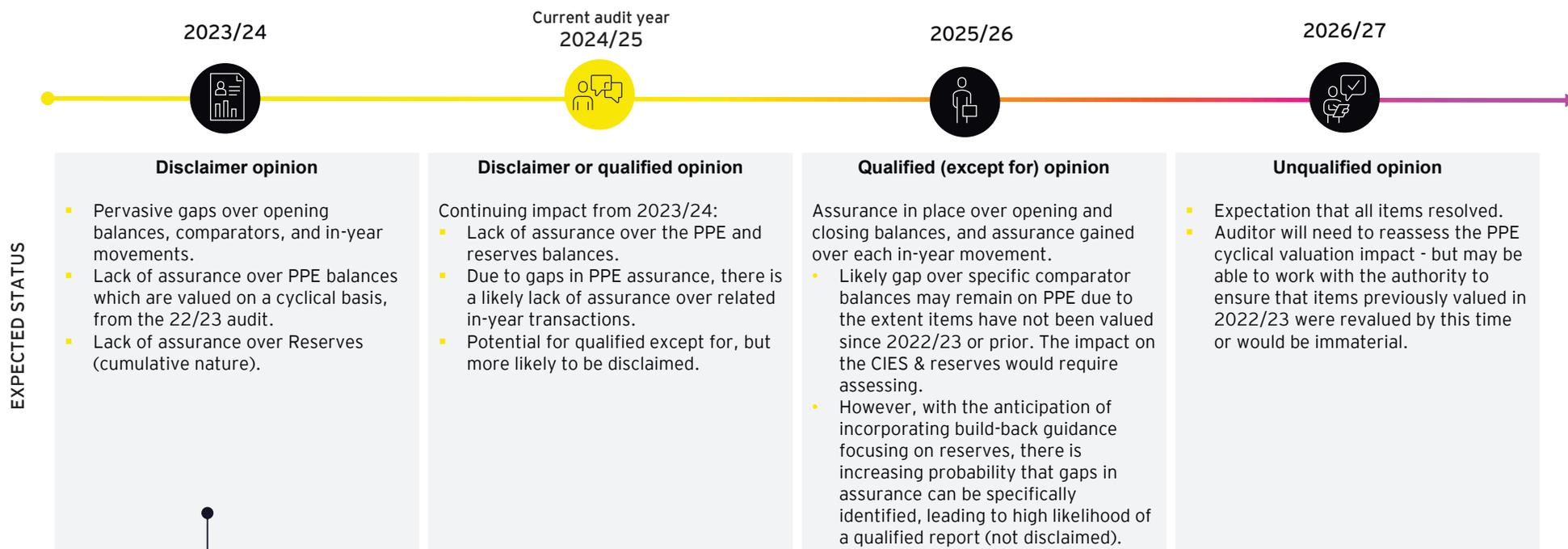


# 09 Appendices

# Appendix A – Progress to full assurance

## Progress to full assurance

Set out below is the illustrative timescale for the process of re-building assurance set out in the NAO’s Local Audit Reset and Recovery Implementation Guidance (LARRIG) 01, together with our view of the Council’s actual progress against that timescale, the reasons for that and what still needs to be done to successfully rebuild assurance. The timetable set out in LARRIG 01 assumes that disclaimers for 2022/23 and all prior open audit years were issued by the statutory backstop date of 13 December 2024.



### CURRENT AUDIT STATUS OF LONON BOROUGH OF HAVERING COUNCIL

- The Council’s progress is behind the expected timescales set out in LARRIG 01.
- This is because no or limited procedures were completed in 2021/22, 2022/23 or 2023/24 - being multiple years as opposed to the single year of the LARRIG example.
- In 2023/24 there were some accounts where no planned procedures have been able to be completed for 2023/24, such as Group, Debtors, Creditors, Expenditure and Grant Income, hindering the build back of assurance.
- We do not expect to be able to complete all planned procedures on Creditors, Expenditure and leases as part of our 2024/25 audit, therefore extending the period over which we will need to rebuild audit assurances.
- This means it is unlikely that audit assurances can be rebuilt to enable an unqualified opinion by 2026/27.

# Appendix B – Updated summary of assurances

## Summary of Assurances

The table below summarises the audit work we have completed on the 2023/24 and 2024/25 financial statements to demonstrate to the committee the level of assurance that has been obtained as a result of the financial statements audit.

Account area	Assurance rating 2023/24	Assurance rating 2024/25	Summary of work performed
Short-Term Debtors	None	Partial	We have completed our planned testing of balances within Short-Term Debtors but have been unable to complete procedures over the Bad Debt Provision as reported in Section 02 and therefore have only been able to obtain partial assurance over the Short-Term Debtors balance at 31 March 2025.
Borrowings (short and long term)	Substantial	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
Cash	Substantial	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
Short-Term Creditors	None	None	In 2023/24 we were unable to complete audit procedures over Short-term Creditors due to delays in the receipt of evidence and the quality of working papers and evidence.  In 2024/25 the Council undertook a detailed review of the creditors working papers, as reported in Section 06 this resulted in significant delays in the receipt of these working papers. Whilst the quality of the working papers showed considerable improvement in 2024/25, due to the delays in receipt of these working papers and the quality of the evidence provided to support our sample of Short-term Creditors we were unable to complete our procedures over Short-Term Creditors in 2024/25. We have therefore been unable to obtain assurance over Short-Term Creditors balances.
Grants received in advance	Substantial	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
Investments	Substantial	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
Investments in Subsidiaries & Joint Ventures	Substantial	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
Long Term Debtors	None	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
Pension Scheme Liability	Substantial	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
Provisions	Substantial	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.

# Appendix B – Updated summary of assurances

## Summary of Assurances (continued)

Account area	Assurance rating 2023/24	Assurance rating 2024/25	Summary of work performed
Reserves	None	None	We have completed our work on the movements in reserves in 2023/24 and 2024/25 but, until we have completed our work programme on the rebuilding of assurance following the disclaimed audit opinions, we are unable to obtain assurance over the useable and unusable reserves of the Council reported in the financial statements.
Group Accounts and consolidation	None	Partial	As reported in Section 02, we have completed our planned audit procedures for 2024/25 but, as a result of not having assurance over the opening balances, we do not have full assurance over the in-year movements or prior year comparatives for the Group Accounts
Property, Plant and Equipment ('PPE') and Investment Property	Partial	Partial	We have completed our audit procedures over PPE and Investment Properties, and we have: <ul style="list-style-type: none"> <li>➤ audited the 31 March 2025 valuation of a sample of assets, testing valuation movements since the prior year for PPE and Investment Property assets;</li> <li>➤ completed testing of 2024/25 additions and disposals in the fixed asset register for PPE and Investment Property assets;</li> <li>➤ tested the annual depreciation charge for PPE assets in 2024/25; and</li> <li>➤ performed procedures to obtain assurance over the existence of assets on the fixed asset register and the Council's right to recognize those assets in 2024/25 for PPE and Investment Property assets.</li> </ul> However, until we are able to rebuild assurance over the completeness and accuracy of the asset base through testing of PPE additions and disposals during prior disclaimed years 2020/21 to 2023/24, we are unable to obtain full assurance over the completeness and valuation of PPE at 31 March 2025.
CIES - Finance and Investment Income and Expenditure	Partial	Partial	Our work on Finance and Investment Income and Expenditure in 2024/25 is complete but, as we do not have assurance over the opening balance position at 1 April 2023, we are unable to obtain assurance that all of the in-year movements recorded in the statement are accurate.
CIES - Net Cost of Services - Employee Costs (Council & Schools)	Partial	Partial	Our work on Employee Costs in 2024/25 is complete but, as we do not have assurance over the opening balance position at 1 April 2023, we are unable to obtain assurance that all of the in-year movements recorded in the statement are accurate.
CIES - Grant Income	None	Partial	Our work on Grant Income in 2024/25 is complete but, as we do not have assurance over the opening balance position at 1 April 2024, we are unable to obtain assurance that all of the in-year movements recorded in the statement are accurate.
CIES - Taxation and Non-Specific Grant Income	Substantial	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
CIES - Net Cost of Services - Housing Benefits	Partial	Partial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025. Our testing of Housing Benefit expenditure is performed by undertaking predictive analytical procedures which uses the prior year 2023/24 balance as a starting point. As we do not have assurance over the 2023/24 balance, we are therefore unable to obtain full assurance over the 2024/25 expenditure.

# Appendix B – Updated summary of assurances

## Summary of Assurances (continued)

Account area	Assurance rating 2023/24	Assurance rating 2024/25	Summary of work performed
CIES - Net Cost of Services - Other Expenditure	None	None	In 2023/24 we were unable to complete audit procedures over Other Expenditure due to delays in the receipt of evidence and the quality of working papers and evidence.  Due to the delays in receipt of these working papers and the quality of the evidence provided to support our sample of Other Expenditure which was not to the standard required to allow us to test balances first time, meant we were unable to complete our procedures over Other Expenditure in 2024/25. We have therefore been unable to obtain assurance over Other Expenditure balances.
CIES - Net Cost of Services - Other Income	Partial	Partial	Our work on Other Income in 2024/25 is complete but, as we do not have assurance over the opening balance position at 1 April 2023, we are unable to obtain assurance that all of the in-year movements recorded in the statement are accurate.
CIES - REFCUS	Partial	Partial	Our work on REFCUS in 2024/25 is complete but, as we do not have assurance over the opening balance position at 1 April 2023, we are unable to obtain assurance that all of the in-year movements recorded in the statement are accurate.
Disclosures	Substantial	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
Leases (IFRS 16 Implementation)		None	As reported in Section 02, we have not been able to complete our procedures over Leases and the implementation of IFRS 16 in 2024/25. We have therefore been unable to obtain assurance over these balances and disclosures.

# Appendix C – Required communications with those charged with governance

## Required communications with those charged with governance

There are certain communications that we must provide to those charged with governance. We have detailed these here together with a reference of when and where they were covered:

		Our Reporting to you
Required communications	What is reported?	When and where
Terms of engagement	Confirmation by the audit committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	<p>Communication of:</p> <ul style="list-style-type: none"> <li>▪ The planned scope and timing of the audit</li> <li>▪ Any limitations on the planned work to be undertaken</li> <li>▪ The planned use of internal audit</li> <li>▪ The significant risks identified</li> </ul> <p>When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.</p>	Audit plan – 8 July 2025 Audit Committee
Significant findings from the audit	<ul style="list-style-type: none"> <li>▪ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>▪ Significant difficulties, if any, encountered during the audit</li> <li>▪ Significant matters, if any, arising from the audit that were discussed with management</li> <li>▪ Written representations that we are seeking</li> <li>▪ Expected modifications to the audit report</li> <li>▪ Other matters if any, significant to the oversight of the financial reporting process</li> </ul>	Audit Results Report – 24 February 2026 Audit Committee

# Appendix C – Required communications with those charged with governance (continued)

		Our Reporting to you
Required communications	What is reported?	When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> <li>▪ Whether the events or conditions constitute a material uncertainty related to going concern</li> <li>▪ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>▪ The appropriateness of related disclosures in the financial statements</li> </ul>	Audit Results Report - 24 February 2026 Audit Committee
Misstatements	<ul style="list-style-type: none"> <li>▪ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation</li> <li>▪ The effect of uncorrected misstatements related to prior periods</li> <li>▪ A request that any uncorrected misstatement be corrected</li> <li>▪ Material misstatements corrected by management</li> </ul>	Audit Results Report - 24 February 2026 Audit Committee

# Appendix C – Required communications with those charged with governance (continued)

		Our Reporting to you
Required communications	What is reported?	When and where
Fraud	<ul style="list-style-type: none"> <li>▪ Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity</li> <li>▪ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist</li> <li>▪ Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving:               <ul style="list-style-type: none"> <li>▪ Management;</li> <li>▪ Employees who have significant roles in internal control; or</li> <li>▪ Others where the fraud results in a material misstatement in the financial statements.</li> </ul> </li> <li>▪ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected</li> <li>▪ Matters, if any, to communicate regarding management’s process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud</li> <li>▪ Any other matters related to fraud, relevant to Audit Committee responsibility.</li> </ul>	Audit Results Report - 24 February 2026 Audit Committee
Related parties	<p>Significant matters arising during the audit in connection with the entity’s related parties including, when applicable:</p> <ul style="list-style-type: none"> <li>▪ Non-disclosure by management</li> <li>▪ Inappropriate authorisation and approval of transactions</li> <li>▪ Disagreement over disclosures</li> <li>▪ Non-compliance with laws and regulations</li> <li>▪ Difficulty in identifying the party that ultimately controls the entity</li> </ul>	Audit Results Report - 24 February 2026 Audit Committee

# Appendix C – Required communications with those charged with governance (continued)

Required communications	What is reported?	Our Reporting to you
		When and where
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, integrity, objectivity and independence.</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> <li>▪ The principal threats</li> <li>▪ Safeguards adopted and their effectiveness</li> <li>▪ An overall assessment of threats and safeguards</li> <li>▪ Information about the general policies and process within the firm to maintain objectivity and independence</li> </ul> <p>Communications whenever significant judgements are made about threats to integrity, objectivity and independence and the appropriateness of safeguards put in place.</p>	<p>Audit plan - 8 July 2025 Audit Committee</p> <p>Audit Results Report - 24 February 2026 Audit Committee</p>

# Appendix C – Required communications with those charged with governance (continued)

		Our Reporting to you
Required communications	What is reported?	When and where
External confirmations	<ul style="list-style-type: none"> <li>▪ Management's refusal for us to request confirmations</li> <li>▪ Inability to obtain relevant and reliable audit evidence from other procedures.</li> </ul>	Audit Results Report - 24 February 2026 Audit Committee
Consideration of laws and regulations	<ul style="list-style-type: none"> <li>▪ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur</li> <li>▪ Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of</li> </ul>	Audit Results Report - 24 February 2026 Audit Committee
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> <li>▪ Significant deficiencies in internal controls identified during the audit.</li> </ul>	Audit Results Report - 24 February 2026 Audit Committee

# Appendix C – Required communications with those charged with governance (continued)

		Our Reporting to you
Required communications	What is reported?	When and where
Group Audits	<ul style="list-style-type: none"> <li>▪ An overview of the type of work to be performed on the financial information of the components</li> <li>▪ An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components</li> <li>▪ Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work</li> <li>▪ Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted</li> <li>▪ Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements.</li> </ul>	<p>Audit plan - 8 July 2025 Audit Committee</p> <p>Audit Results Report - 24 February 2026 Audit Committee</p>
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> <li>▪ Written representations we are requesting from management and/or those charged with governance</li> </ul>	Audit Results Report - 24 February 2026 Audit Committee
System of quality management	<ul style="list-style-type: none"> <li>▪ How the system of quality management (SQM) supports the consistent performance of a quality audit</li> </ul>	Audit Results Report - 24 February 2026 Audit Committee
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none"> <li>▪ Material inconsistencies or misstatements of fact identified in other information which management has refused to revise</li> </ul>	Audit Results Report - 24 February 2026 Audit Committee
Auditors report	<ul style="list-style-type: none"> <li>▪ Key audit matters that we will include in our auditor's report</li> <li>▪ Any circumstances identified that affect the form and content of our auditor's report</li> </ul>	Audit Results Report - 24 February 2026 Audit Committee

# Appendix D – Regulatory update

## The English Devolution and Community Empowerment Bill - Audit Measures

### Background

On 16 December 2024, the Government published the English Devolution White Paper. The White Paper outlines how England is one of the most centralised countries in the world and contends that over-centralisation is holding back the prosperity of the regions. As a result, there is an intention from Government to widen and deepen devolution to local areas across England. The English Devolution and Community Empowerment Bill (the Bill) is intended to provide the legislative framework to do this by setting out a standardised framework of devolved powers, duties and functions. The bill is in six parts:

- Part 1 introduces the new devolution architecture for England, centred around the new category of “strategic authorities” (SAs). These are organisations designated by Government to have responsibility for strategy development and programme delivery over larger functional economic areas.
- Part 2 outlines the powers and duties which existing and future SAs will have, and the new process by which new powers and duties can be conferred on SAs by Government in the future.
- Part 3 is focused on measures designed to strengthen local government and communities.
- Part 4 is intended to strengthen the accountability of the local government sector by reforming the local audit system, including the establishment of the Local Audit Office (LAO) as the body responsible for overseeing local audit.
- Part 5 concerns the banning of upwards only rent review clauses for commercial leases to prevent vacant shops and regenerate high streets in communities across England.
- Part 6 contains the technical sections related to the Bill, including on regulations, commencement and extent.

The draft legislation can be found in full at [English Devolution and Community Empowerment Bill](#).

### Part 4 of the Bill - Reforming local audit

The Bill is intended to overhaul the local audit system as is part of the wider measures to address the backlog in local government audit previously considered by this report. Specifically:

- The LAO will be established with the aim of radically simplifying the current audit system and bringing functions together under a single organisation with a clear remit. The LAO will be responsible for coordinating the system, standard setting, contracting, quality oversight and reporting. It will also support and enable wider measures to address pressing challenges, including reforms to financial reporting; strengthening audit capacity and capability; and establishing public provision of audit to support the private market.
- The LAO will be responsible for audit quality and the regulation of audit providers. Regulatory powers can be delegated.
- The LAO will be responsible for auditor appointment to all local audits other than for NHS bodies, will set indicative fees, publish those fees and make final determinations on the fees to be paid. The ability of local authorities to appoint their own auditors is removed.
- Audit firms will be required to nominate ‘lead individuals’ and have pre-approval of their own eligibility criteria.
- The responsibility for production of the Code of Audit Practice passes from the NAO to LAO. The LAO is also able to determine technical standards that auditors must follow.
- Statutory guidance for Audit Committees will be developed by LAO in conjunction with the Local Government Association, CIPFA and other relevant bodies.

We will continue to keep you updated as these arrangements develop.

# Appendix F – DRAFT Management representation letter

## Draft Management representation letter

[To be prepared on the entity's letterhead]

[Date]

Mark Hodgson  
Ernst & Young  
One Cambridge Square  
Cambridge  
CB4 0AE

This letter of representations is provided in connection with your audit of the consolidated and parent Authority financial statements of London Borough of Havering ("the Group and Authority") for the year ended 31 March 2025. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the consolidated and parent Authority financial statements give a true and fair view of (or 'present fairly, in all material respects,') the Group and Authority financial position of London Borough of Havering as of 31 March 2025 and of its financial performance (or operations) and its cash flows for the year then ended in accordance with, for the Group and the Authority, the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.

We understand that the purpose of your audit of our consolidated and parent Authority financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

### A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with, for the Group and the parent Authority, the Accounts and Audit Regulations 2015 and the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.
2. We acknowledge, as members of management of the Group and Authority, our responsibility for the fair presentation of the consolidated and parent Authority financial statements. We believe the consolidated and parent Authority financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Group and parent Authority in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, and are free of material misstatements, including omissions. We have approved the financial statements.
3. The material accounting policy information adopted in the preparation of the Group and Authority financial statements are appropriately described in the Group and Authority financial statements.
4. As members of management of the Group and Authority, we believe that the Group and Authority have a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 for the Group and for the Authority that are free from material misstatement, whether due to fraud or error.
5. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the consolidated and parent Authority financial statements taken as a whole. We have not corrected these differences because [specify reasons for not correcting misstatement].
6. We confirm the Group and Authority does not have securities (debt or equity) listed on a recognised exchange.

# Appendix F – DRAFT Management representation letter (continued)

## Draft Management representation letter (continued)

### B. Non-compliance with laws and regulations, including fraud

1. We acknowledge that we are responsible to determine that the Group and Authority's business activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws or regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of a system of internal control to prevent and detect fraud and that we believe we have appropriately fulfilled those responsibilities.
3. We have disclosed to you the results of our assessment of the risk that the consolidated and parent Authority financial statements may be materially misstated as a result of fraud.
4. We have disclosed to you, and provided you full access to information and any internal investigations relating to, all instances of identified or suspected non-compliance with laws and regulations, including fraud, known to us that may have affected the Group or Authority (regardless of the source or form and including, without limitation, allegations by "whistle-blowers"), including non-compliance matters:
  - Involving financial improprieties
  - Related to laws or regulations that have a direct effect on the determination of material amounts and disclosures in the consolidated and parent Authority financial statements
  - Related to laws or regulations that have an indirect effect on amounts and disclosures in the consolidated and parent Authority financial statements, but compliance with which may be fundamental to the operations of the Group and Authority's business, its ability to continue in business, or to avoid material penalties
  - Involving management, or employees who have significant roles in internal control, or others
  - In relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

### C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
  - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
  - Additional information that you have requested from us for the purpose of the audit; and
  - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and are reflected in the consolidated and parent Authority financial statements.
3. We have made available to you all minutes of the Group, Authority, Cabinet and Audit Committee through the year through to the date of this letter.
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Group and Authority's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the consolidated and parent Authority financial statements.
5. We believe that the methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that is in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.

# Appendix F – DRAFT Management representation letter (continued)

## Draft Management representation letter (continued)

6. We have disclosed to you, and the Group and Authority has complied with, all aspects of contractual agreements that could have a material effect on the consolidated and parent Authority financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
7. From the date of our last management representation letter through the date of this letter we have disclosed to you, to the extent that we are aware, any (1) unauthorised access to our information technology systems that either occurred or is reasonably likely to have occurred, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorised access to our information technology systems is reasonably likely to have a material effect on the consolidated and parent Authority financial statements, in each case or in the aggregate, and (2) ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount.

### D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the consolidated and parent Authority financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related to litigation and claims, both actual and contingent, and have disclosed in Note 41 to the consolidated and parent Authority financial statements all guarantees that we have given to third parties.
4. No other claims in connection with litigation have been or are expected to be received.

### E. Going Concern

1. Note 1 to the consolidated and parent Authority financial statements discloses all the matters of which we are aware that are relevant to the Group and Authority's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

### F. Subsequent Events

1. Other than described in Note 46 to the consolidated and parent Authority financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the consolidated and parent Authority financial statements or notes thereto.

### G. Group audits

1. There are no significant restrictions on our ability to distribute the retained profits of the Group because of statutory, contractual, exchange control or other restrictions other than those indicated in the Group financial statements.
2. Necessary adjustments have been made to eliminate all material intra-group unrealised profits on transactions amongst parent Authority, subsidiary undertakings and associated undertakings.

### H. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Narrative Report and the Annual Governance Statement.
2. We confirm that the Annual Governance Statement for 2024/25 is a true reflection, in all material respects, of the governance arrangements and the effectiveness of those arrangements in 2024/25 and includes disclosure of all significant governance issues and findings relating to that financial year, through to the date of this letter.
3. We confirm that the content contained within the other information is consistent with the financial statements.

### I. Climate-related matters

1. We confirm that to the best of our knowledge all information that is relevant to the recognition, measurement, presentation and disclosure of climate-related matters has been and reflected in the consolidated and parent financial statements.

# Appendix F – DRAFT Management representation letter (continued)

## Draft Management representation letter (continued)

### J. Ownership of Assets

1. Except for assets capitalised under finance leases, the Authority and Group has satisfactory title to all assets appearing in the balance sheet, and there are no liens or encumbrances on the Authority's assets, nor has any asset been pledged as collateral. All assets to which the Authority has satisfactory title appear in the balance sheet.
2. All agreements and options to buy back assets previously sold have been properly recorded and adequately disclosed in the financial statements.
3. We have no plans to abandon lines of product or other plans or intentions that will result in any excess or obsolete inventory, and no inventory is stated at an amount in excess of net realisable value.
4. There are no formal or informal compensating balance arrangements with any of our cash and investment accounts.

### K. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the value of the Authority and Group's share of the pension fund assets and liabilities and the value of subsidiary company buildings and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

### L. Estimates

- Pensions Liability
  - Property, Plant and Equipment and Investment Properties - valuations, impairments and depreciation
  - Provision for Impairment of Receivables
  - Stock valuations
1. We confirm that the significant judgments made in making the fair value of Property, Plant and Equipment, Investment Properties, provisions, stock valuations and pension fund asset and liabilities have taken into account all relevant information of which we are aware.
  2. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the above accounting estimates.
  3. We confirm that the significant assumptions used in making the above accounting estimates appropriately reflect our intent and ability to carry out our statutory services on behalf of the entity.
  4. We confirm that the disclosures made in the financial statements with respect to the accounting estimates, including those describing estimation uncertainty, are complete and are reasonable in the context of CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.
  5. We confirm that appropriate specialised skills or expertise has been applied in making the above accounting estimates.
  6. We confirm that no adjustments are required to the accounting estimate(s) and disclosures in the financial statements.

# Appendix F – DRAFT Management representation letter (continued)

## Draft Management representation letter (continued)

### M. Retirement benefits

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

### N. Reserves

1. We have properly recorded or disclosed in the financial statements the useable and unusable reserves.

### O. Contingent Liabilities

1. We are unaware of any violations or possible violations of laws or regulations the effects of which should be considered for disclosure in the financial statements or as the basis of recording a contingent loss (other than those disclosed or accrued in the financial statements).
2. We are unaware of any known or probable instances of non-compliance with the requirements of regulatory or governmental authorities, including their financial reporting requirements, and there have been no communications from regulatory agencies or government representatives concerning investigations or allegations of non-compliance, except as follows:
  - Matters of routine, normal, recurring nature (e.g., examinations by bank and insurance examiners, examinations by taxing authorities) none of which involves any allegations of noncompliance with laws or regulations that should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.

Yours faithfully,

\_\_\_\_\_  
(Chief Financial Officer)

\_\_\_\_\_  
(Chair of the Audit Committee)

### Appendix 1 - Unadjusted Audit Differences

**Judgemental difference: Investment Properties** - Overstatement in the valuation of 39-43 South Street, Romford (occupied by M&S).

The draft financial statements records the asset at £12.4 million, External Audit have determined a reasonable range for this asset of £7.3 million to £9.8 million resulting in a judgmental minimum overstatement of £2.6 million (to the top of the auditor's reasonable range).

# Appendix A

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