The Audit Findings (ISA260) Report for Royal Borough of Kensington and Chelsea

Year ended 31 March 2024

Grant Thornton

Private and Confidential

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23 September 2024

Dear Members of the Audit and Transparency Committee

Audit Findings for the Royal Borough of Kensington and Chelsea for the year ended 31 March 2024

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process and confirmation of auditor independence, as required by International Standard on Auditing (UK) 260. Its contents have been discussed with management and the Audit and Transparency Committee.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

We encourage you to read our transparency report which sets out how the firm complies with the requirements of the Audit Firm Governance Code and the steps we have taken to drive audit quality by reference to the Audit Quality Framework. The report includes information on the firm's processes and practices for quality control, for ensuring independence and objectivity, for partner remuneration, our governance, our international network arrangements and our core values, amongst other things. This report is available at transparency-report-2023.pdf (grantthornton.co.uk).

We would like to take this opportunity to record our appreciation for the kind assistance provided by the finance team and other staff during our audit.

Paul Cuttle

Director
For Grant Thornton UK LLP

Chartered Accountants
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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Royal Borough of Kensington and Chelsea Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2024 for the attention of those charged with governance.

Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- the Council's financial statements give a true and fair view of the financial position of the Council and its income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS), Narrative Report and Pension Fund Financial Statements), is materially consistent with the financial statements and with our knowledge obtained during the audit, or otherwise whether this information appears to be materially misstated.

Our audit work was completed during June- September as planned. Our findings are summarised on pages 7 to 24. We have not identified any adjustments to the financial statements that have impacted on the Council's General Fund position.

Audit adjustments are detailed at Appendix D. We have also raised recommendations for management as a result of our audit work. These are set out at Appendix B. Our follow up of recommendations from the prior year's audit are detailed at Appendix C.

Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion or material changes to the financial statements, subject to the following outstanding matters:

- Completion of journals testing.
- Completion of revaluations testing on Property Plant and Equipment and Investment Properties.
- Receipt of requested International Accounting Standard 19 (pensions benefit)assurances from the auditor of London Pensions Fund Authority (EY) regarding the London Pension Fund authority.
- Completion of senior management reviews.
- Receipt of management representation letter.
- Review of the final set of financial statements.

We have concluded that the other information to be published with the financial statements, including the Annual Governance Statement, is consistent with our knowledge of your organisation and with the financial statements we have audited.

Our anticipated financial statements audit report opinion will be unqualified. Our work on the Council's value for money (VFM) arrangements is nearing completion. The outcome of our VFM work will be reported in our commentary on the Council's arrangements in our Auditor's Annual Report (AAR). We are satisfied this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2024.

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1. Headlines

Value for Money (VFM) arrangements	
Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are required to report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit. Auditors are required to report their commentary on the Council's arrangements under the following specified criteria: • Improving economy, efficiency and effectiveness; • Financial sustainability; and • Governance	Our work on the Council's value for money (VFM) arrangements is not yet complete. The outcome of our VFM work will be reported in our commentary on the Council's arrangements in our Auditor's Annual Report (AAR). We are satisfied this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2024.
Statutory duties	
The Local Audit and Accountability Act 2014 ('the Act') also requires us to: • report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and • to certify the closure of the audit.	We have not exercised any of our additional statutory powers or duties although we are currently in the process of considering elector queries relating to 2023/24. We will not certify completion of the audit until our work in this area is concluded.
Significant matters	We did not encounter any significant difficulties or identify any significant matters arising during our audit.

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1. Headlines

National context – level of borrowing

All Councils continue to operate in an increasingly challenging financial context. With inflationary pressures placing increasing demands on Council budgets, there are concerns as Councils look to alternative ways to generate income. We have seen an increasing number of councils look to ways of utilising investment property portfolios as sources of recurrent income. Whilst there have been some successful ventures and some prudently funded by councils' existing resources, we have also seen some councils take excessive risks by borrowing sums in excess of their revenue budgets to finance these investment schemes. Additionally, we have also seen some authorities lending money to their subsidiary companies, which may not be in a position to repay those loans.

The impact of these huge debts on Councils, the risk of potential bad debt write offs and the implications of the poor governance behind some of these decisions are all issues which now have to be considered by auditors across local authority audits.

The Council's finances have historically been well managed. However, balancing the financial position year on year has become increasingly challenging. In 2023/24 the Council delivered a £4m overspend after adjusting for treasury interest and the impact of one-off corporate items, taxation and non-specific grants. The overspend has been funded from reserves. The Council's investment property portfolio of £238m has delivered rental income of £16.9m for the year.

The Council's borrowing increased to £342m from £229m and the average interest rate on remaining loans increased from 3.3% to 3.88%. All of the Council's loans are at a fixed rate of interest rate with the majority set to mature between 5 to 40 years time. External borrowing remains within the Capital Financing Requirement, Authorised Borrowing Limit and the Operational Boundary. The borrowing has increased to finance expenditure particularly those relating to Housing on the Council's HRA and General Fund Capital Programmes.

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2. Financial Statements

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management and the Audit and Transparency Committee.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

Our audit approach was based on a thorough understanding of the Council's business and is risk based, and in particular included:

- An evaluation of the Council's internal controls environment, including its IT systems and controls.
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks.

We have not had to alter our audit plan, as communicated to you on 18 June 2024. We have now set a lower materiality level for the audit of the Council's cash balance.

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit and Transparency Committee meeting on 23 September 2024.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by management, the finance team and other staff throughout the audit process.

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2. Financial Statements

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality levels remain the same as reported in our audit plan on 18 June 2024.

We have included a specific lower materiality for cash due to the sensitivity of the balance.

	Council Amount (£)	**Qualitative factors considered**
Materiality for the financial statements	12,400,000	This benchmark is determined as a percentage of the Council's Gross Cost of Services Expenditure in year, which has remained at approximately 1.5%.
Performance materiality	8,680,000	Performance Materiality is based on a percentage of the overall materiality.
Trivial matters	600,000	This balance is set at approximately 5% of overall materiality.
Materiality for cash	4,340,000	Due to sensitive nature of cash we have set materiality at 50% of performance materiality.

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2. Financial Statements: Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Commentary
Management override of controls Under ISA (UK) 240 there is a non-rebuttable presumption that the risk of management override of controls is present in all entities. The Council faces external scrutiny of their spending and this could potentially place management under undue pressure in terms of how they report performance. We therefore identified management override of control, and in particular journals, management estimates, and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.	Audit procedures undertaken in response to the identified risk included: • Evaluation of the design and implementation of management controls over journals. • Analysis of the journals listing and determination of the criteria for selecting high risk unusual journals. • Identification and testing of unusual journals made during the year and the accounts production stage for appropriateness and corroboration. • Gaining an understanding of the accounting estimates and critical judgements applied by management and consideration of their reasonableness. As in the prior year, we identified through our review of the journal entry control environment that: • Senior personnel are registered as managers and are theoretically able to post non-balance sheet journal entries. • There is no two-stage authorisation process for journal entry postings in place. Our testing of journal entries has not identified any material misstatements or indications of management override of controls. There is no evidence that senior management have posted any journals. Management is satisfied that compensatory controls exist and budget monitoring processes would identify any material instances of unusual activity.
Improper revenue recognition Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.	Under ISA (UK) 240 there is a rebuttable presumed risk of material misstatement due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition. Having considered the risk factors set out in ISA 240, and the nature of the revenue streams of Royal Borough of Kensington and Chelsea, we have determined that it is likely that the presumed risk of material misstatement due to the improper recognition of revenue can be rebutted, because: • there is little incentive to manipulate revenue recognition; and • opportunities to manipulate revenue recognition are very limited. Therefore, we do not consider this to be a significant risk for the Council.

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2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of pension fund net surplus The pension fund net asset, as reflected in the balance sheet as other long term assets, represents a significant estimate in the financial statements. The pension fund net asset is considered a significant estimate due to the size of the numbers involved (£396 million in the Council's balance sheet at 31 March 2024) and the sensitivity of the estimate to changes in key assumptions. The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of Practice on Local Authority Accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation. The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable. Small changes in key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 asset. We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in their calculation. With regard to these assumptions we have therefore identified valuation of the Authority's pension fund net asset as a significant risk.	Audit procedures undertaken in response to the identified risk included: • Updating our understanding of the processes and controls put in place by management to ensure that the pension fund net asset is not materially misstated. Our procedures included evaluating the design of the associated controls. • Evaluated the instructions issued by management to their management experts (the actuary) for this estimate and the scope of the actuary's work. • Assessing the competence, capabilities and objectivity of the actuary who carried out the pension fund valuation. • Testing the consistency of the disclosures in the notes to the core financial statements with the reports from the actuary. • Undertaking procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report. • Gaining assurances over the validity and accuracy of assets, membership, contributions and benefits data sent to the actuary by the Fund. • Reviewing the actuaries calculation of the asset ceiling and ensuring that this has been estimated in accordance with the requirements of the accounting standard IFRIC14. We have not identified any material misstatements in response to this risk. We are awaiting receipt of requested confirmations from the London Pension Fund Authority auditor over the London Pensions Fund Authority IAS19 balance.

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2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of Investment Properties, Council Dwellings and Other Land and Buildings The Council revalues its Dwellings, Land and Buildings and Investment Property on an annual basis to ensure that the carrying value is not materially different from the current value or fair value (Investment properties) at the financial statements date. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£1.6 billion as at 31 March 2024) and the sensitivity of this estimate to changes in key assumptions. Management will need to ensure that the carrying value in the Council's financial statements is not materially different from the current value or the fair value (for investment properties) at the financial statements date. We will focus our audit attention on assets that have large and unusual changes and / or approaches to the valuation of Council Dwellings, Other Land and Buildings and Investment Properties, as a significant risk requiring special audit consideration.	Audit procedures undertaken in response to the identified risk included: • Evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts, and the scope of their work. • Evaluated the competence, capabilities and objectivity of the valuation expert. • Confirmed the basis on which the valuation was carried out to ensure that the requirements of the Code are met. • Challenged the information and assumptions used by the valuer to assess the completeness and consistency with our understanding, which included engaging our own valuer to assess the instructions issued by the Council to their valuer, the scope of the Council's valuers' work, the Council's valuers' reports and the assumptions that underpin the valuations. • Tested, on a sample basis, revaluations made during the year to see if they had been input correctly into the Council's asset register. • Assessed the value of a sample of assets in relation to market rates for comparable properties. • Tested a sample of beacon properties in respect of council dwellings to consider whether their valuation assumptions are appropriate and whether they are truly representative of the other properties within that beacon group. • Evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different from current value at year end. Our testing of other Land and Buildings identified the following misstatements made by the valuer in their calculations of other Land and buildings: • The Modern Equivalent Asset (MEA) calculation of the primary schools was incorrect for those schools - For with nursery services, the valuer has mistakenly excluded the number of nursery requirement needed to calculate the total MEA value is understated. • The MEA/Gross Internal Area used for Kensington Queensmill/Barlby New Primary School was incorrect as the valuer initially valued this asset as a mainstream school rather than a special school. This lead to an understatement in the valuation of the school. • The demolition cost forms part of the Build cost of an asset that is being valued through Depreciated Replacement cost. The valuer used the prior year demolition cost which is based in instead of 2023/24. This has led to the valuation being understated. • The incorrect obsolescence rate was used for Kensington leisure Centre. The asset valuation is overstated. The net impact of these misstatements was an undervaluation of Land and Building assets of £10,205k. As detailed on page 3 we are still undertaking our management reviews in this area.

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2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary
Completeness of provisions and contingent liabilities In April 2023 a high court settlement was reached with almost 900 people whose lives were ruined or changed by the Grenfell Tower tragedy. In February 2024 the claims, brought by 114 responders, for personal injury and loss caused by alleged negligence and breach of statutory duty were also settled. The Council will need to release the provision in relation to these settlements. These settlements are completely independent of, and have no impact upon, the ongoing Public Inquiry into the Grenfell Tower Fire, or the ongoing criminal investigation. The Council will need to account for any potential future payments which may need to be made as a result of the Public Inquiry and concurrent police investigation into the Grenfell Tower fire, and any other civil claims which may be lodged against the Council. The Council will need to ensure its judgements and accounting are in line with the accounting standards. We identified the completeness of short- and long-term provisions recognised and disclosure of contingent liabilities as a significant risk of material misstatement.	In January 2023 the Council applied for a capitalisation direction of up to £75 million towards meeting compensation claims and legal costs relating to the Grenfell Tower fire tragedy. Its purpose is to enable the Council to pay its share of the compensation due to the bereaved, survivors and first responders of the Grenfell Tower tragedy and to be able to pay the associated legal costs. The Secretary of State for the Department of Levelling Up, Housing & Communities (DLUHC) approved a capitalisation direction for the full £75 million; £51.772 million was agreed for 2023/24 and £23.228 million for 2022/23. These payments will be funded by external borrowing at a premium rate and the revenue implications associated with this borrowing will be funded initially from the Civil Claims Settlement Reserve. The Council has followed the requirements of International Accounting Standard 37 and the Capitalisation Direction in the accounting for the legal settlements that were reached in the year. There remains an estimated £42m within the provision to account for the remaining claims that are yet to be settled. The Council also has retained an element of contingent liability relating to any potential liabilities arising from the tragedy.

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2. Financial Statements: new issues/risks

This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan and a summary of any significant deficiencies identified during the year.

Issue	Commentary	Auditor view
IFRS 16 implementation Following consultation and agreement by Financial Reporting Advisory Board, the CIFPA Code of Practice on Local Authority Accounting will provide for authorities to apply IFRS 16 in from 1 April 2024. In advance of this standard coming into effect, we would expect the Council to disclose the title of the standard, the date of initial application and the nature of the changes in accounting policy for leases, along with the estimated impact of IFRS 16 on the accounts.	In note 5 to the financial statements, the Council has disclosed the title of standard, the date of implementation and the nature of the change in the accounting policy. We have requested that the Council also disclose the estimated financial impact of the new standard. The Council has estimated the main impact will be on the balance sheet in terms of a Right of Use Asset of approximately £10m matched by an associated lease liability.	The Council has implemented processes to identify all of its arrangements (leases/contracts/other agreements) that contain the right to use an asset. The Council remains on track to account for these arrangements in line with the new leasing standard. This will be incorporated within the 2024-25 financial statements.
Information Technology Control deficiencies Our Information Technology work has not identified any issues with the general ledger or pensions administration systems. We have identified deficiencies associated with the Council's Asset Management software (RAM)..	The deficiencies identified with the RAM asset management system were as follows: • The log in details for the previous Capital Accountant were not revoked on a timely basis. The Capital Accountant left the Council on 15 October and their access was removed on 25 January 2024. • Three users in finance have been assigned super user administrator access to RAM. As they hold financial reporting roles this creates a segregation of duties conflict. • While password parameters are setup for RAM, password complexity has not been enabled. Furthermore, the password expiry term for application users is customizable and this access is assigned to superusers. As all current users are superusers, any users can modify the password expiry time for other superusers. • Lack of review of audit logs such as privileged users or failed logins.	There is no evidence that the Capital Accountant had logged onto RAM since leaving the Council and the audit team are also satisfied that the general ledger reconciles with the fixed asset register and with the independent valuers reports. Management have agreed to improve processes to ensure that leavers are terminated on a timely manner. The Council are satisfied that there is a low level of risk associated with the deficiencies. Management has amended access to the asset register for the Head of Financial Reporting to view only. The fixed asset register is only used by three officers. The asset register for each asset category must balance to the Council's balance sheet values on its financial reporting system. Each year the fixed asset register is reviewed to ensure that the opening and closing balances reconcile. If any unexpected transactions were made in the fixed asset register these balances would not agree back to the balance sheet. The movement and closing balances of all the asset categories have been audited and verified each year to ensure all transactions processed on the fixed asset register are correct. Currently, management do not have the functionality to amend the password complexity. However, management are investigating the practicalities of addressing this concern with the software provider.

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2. Financial Statements: key judgements and estimates

This section provides commentary on key estimates and judgements in line with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Other Land and Buildings Valuations £552m	Other land and buildings which were revalued during the year comprise £345m of specialised assets such as schools and libraries, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of other land and buildings (£207m) are not specialised in nature and were required to be valued at existing use value (EUV) at year end. The Council engaged Sanderson Weatherall to complete the valuation of properties as at 31 March 2024. A total of £539m (98%) of other land and buildings assets were revalued during 2023/24. The remainder of £13m were assets acquired during the year and were therefore not subject to valuation. The total year end valuation of land and buildings was £552m, a net increase of £7.5m from 2022/23 (£544.5m). This net increase arises from the valuation process in combination with additions to and enhancements of property assets during the year. Sanderson and Weatherall have valued all the Council's Investment properties at fair value as required by the accounting standards.	• We have assessed management's expert, Sanderson and Weatherall, to be competent capable and objective. • The valuer has correctly prepared the valuation using DRC on a modern equivalent asset basis for specialised properties, and EUV for non-specialised properties. • 98% of properties have been valued as at 31 March 2024. • We engaged our own valuation specialist, Wilks Head and Eve, to provide a commentary on the instruction process for Sanderson and Weatherall, the valuation methodology, assumptions and approach, and the resulting valuation reports. • We have carried out testing of the completeness and accuracy of the underlying information provided to the valuer used to determine the estimate and have no issues to report. • We have agreed the valuation reports provided by management's expert to the fixed asset register and to the financial statements. As documented on page 11, we have identified errors within the valuers calculations of land and building assets which has resulted in assets being undervalued by £10,205k.	[Grey]

Assessment

- [Red] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Amber] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Green] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

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2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Investment Property Valuation - £237m	The Council has engaged Sanderson and Weatherall to complete the valuation of properties as at 31 March 2024. The Investment properties have been valued at fair value as defined under International Financial Reporting Standard 13 and as adopted by the Code. This is essentially the price that would be received to sell an asset, in an orderly transaction between market participants at the 31 March 2024. The total year end valuation of investment property was £237.7m, a net increase of £7m from 2022/23 (£230.7m).	• We have assessed management's expert, Sanderson and Weatherall, to be competent capable and objective. • The valuer has correctly prepared the valuation using the fair value as at 31 March 2024. • All properties have been valued as at 31 March 2024. Additions in year of £5m are not subject to valuation. • We engaged our own valuation specialist, Wilks Head and Eve, to provide a commentary on the instruction process for Sanderson and Weatherall, the valuation methodology and approach, and the resulting assumptions and valuation report. • We have carried out testing of the completeness and accuracy of the underlying information provided to the valuer used to determine the estimate and have no issues to report. • We have agreed the valuation reports provided by management's expert to the fixed asset register and to the financial statements.	● [Green]

Assessment

- ● [Red] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- ● [Amber] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- ● [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- ● [Green] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

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2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Buildings – Council Housing - £854m	The Council owns 6,704 dwellings in the Housing Revenue Account and is required to revalue these properties in accordance with DCLG's Stock Valuation for Resource Accounting guidance. The guidance requires the use of beacon methodology, in which a detailed valuation of representative property types is then applied to similar properties. The Council has engaged its valuer Sanderson and Weatherall to complete the valuation of these properties. The year end valuation of Council Housing was £854m, a net decrease of £16m from 2022/23 (£870m).	• We have no concerns over the competence, capabilities and objectivity of your valuation expert. • No issues were noted with the completeness and accuracy of the underlying information used to determine the estimate. • There have been no changes to the valuation methodology this year. • The valuer has correctly prepared the valuation using the stock valuation guidance issued by the government department, and has ensured the correct factor has been applied when calculating the Existing Use Value – Social Housing (EUV-SH) value disclosed within the accounts. • All Council dwellings have been valued as at 31 March 2024.	● [Green]
Provisions for {NNDR appeals} - 17m	The Council is responsible for repaying a proportion of successful rateable value appeals. In 2023/24, management used an external organisation, Analyse Local, to calculate the level of provision required. Analyse Local's calculation is based upon the latest information on outstanding rates appeals provided by the Valuation Office Agency (VOA) and previous success rates. The provision in the financial statements decreased by £3.9m.	• We have assessed management's expert, Analyse Local, to be competent, capable and objective. • Analyse Local have used up to date data around outstanding appeals and potential information around unlodged appeals and historic success rates to form a reliable estimate of the impact on Rateable Values in the future, and timings based on historic observations. • The methodology used is consistent with comparable local authorities. • The disclosure of the estimate in the financial statements was found to be adequate.	● [Green]

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2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Net pension (surplus) – £369.5m IFRIC 14 addresses the extent to which an IAS 19 surplus can be recognised on the balance sheet and whether any additional liabilities are required in respect of onerous funding commitments. IFRIC 14 limits the measurement of the defined benefit asset to the 'present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.	The Council's net pensions asset comprising assets and liabilities relating to the Royal Borough of Kensington and Chelsea Pension Fund and London Pension Fund Authority Local Government Pension Schemes and an immaterial amount of unfunded defined benefit pension scheme obligations. The Council uses Hymans Robertson LLP to provide actuarial valuations of the Council's assets and liabilities derived from these schemes. A full actuarial valuation is required every three years. The latest full actuarial valuation was completed as at 31 March 2022. A roll forward approach is used in intervening periods which utilises key assumptions such as life expectancy, discount rates, salary growth and investment return. Given the significant value of the net pension fund assets, small changes in assumptions can result in significant valuation movements. There has been a net decrease of £50m in the overall net pension fund asset in 2023/24.	• We have assessed the actuaries, Hymans Robertson, to be competent, capable and objective. • We have used PwC as our auditor's expert to assess the actuary and assumptions made by the actuary – see table below for out comparison of actuarial assumptions:	● [Green]

Assumption	Actuary Value	PwC range	Assessment
Discount rate	4.85%	4.8 - 4.85%	●
Pension increase rate	2.75%	2.75% - 2.80%	●
Salary growth	3.75%	3.75% -3.80%	●
Life expectancy – Males currently aged 45/65	21.9 / 22.8	See Note below	●
Life expectancy – Females currently aged 45/65	24.5 / 25.7		●

Note - Figures within the IAS19 results may now show individual employer level life expectancies). As a result of the significantly larger differences at individual employer level (in comparison to LGPS fund averages), the life expectancy ranges may now be significantly wider at both the lower and upper bounds. The potential difference in range can be around 8-10 years at the extremes of individual employer level life expectancies.

- We have confirmed the controls and processes over the completeness and accuracy of the underlying information used to determine the estimate.
- We have confirmed there were no significant changes in 2023/24 valuation method. An asset ceiling has been applied that has reduced the value of the net asset taken to the balance sheet by £256m.
- We have completed the same testing in relation to the Net LPFA pensions liability of £0.913m.

We are still awaiting receipt of requested assurances from the auditor of London Pensions Fund Authority

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2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Grants Income Recognition and Presentation- £393m	Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that: • the Council will comply with the conditions attached to the payments, and • the grants or contributions will be received. Amounts recognised as due to the Council are not credited until conditions attached to the grant or contribution have been satisfied. The Council has credited £393m of grants to the Consolidated Income and Expenditure Statement in 2023/24. The Council has received a number of Grants and Contributions that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned if not spent. The balances at the year-end for these grants is £97m.	• We are satisfied with all the other grants tested that the Council's judgement on whether the Council is acting as the principal or agent which determines whether the authority recognises the grant at all. • Our sample testing has concluded that we are satisfied with the completeness and accuracy of the underlying information used to determine whether there are conditions outstanding (as distinct from restrictions) that would determine whether the grant be recognised as a receipt in advance or income. • Our testing identified that the Social Care Support Grant, Your Choice Grant and the Adult Social Care Discharge had been classified as non specific government grants and disclosed within note 14. These grants have conditions over how they are to be used and therefore should have been classified in the Net Cost of Services section of the Consolidated Income and Expenditure Statement (CIES). Management have agreed to amend the financial statements. This has resulted in £15m of funding being moved from Note 14 to Note 15. There is no overall impact on the bottom line position in the CIES. The Your Choice Grant was highly trivial at £26k and so has not been adjusted. We have rated this as "Amber" due to the above classification misstatement. The Council has made the appropriate correction.	● (Amber)

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2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Minimum Revenue Provision - £6.1m	The Council is responsible on an annual basis for determining the amount charged for the repayment of debt known as its Minimum Revenue Provision (MRP). The basis for the charge is set out in regulations and statutory guidance. MRP is required to be charged with respect to borrowing obtained as part of acquiring assets to be held in the General Fund (GF). No MRP charge is made in respect of borrowing for the acquisition of assets held in the Housing Revenue Account (HRA). According to regulations, this is on the basis that HRA assets should be self-financing, with local authorities being required to make an annual charge from the HRA to their Major Repairs Reserve in place of MRP, to maintain functionality of housing assets. For assets acquired to rehouse families affected by the Grenfell Fire tragedy, for which a direction has been given by the Secretary of State to hold these properties within the General Fund, rather than the HRA. The Council has charged MRP on these General Fund properties as expected in 2023/24. The MRP has increased from £4,472k in 2022/23 to £6,131k in 2023/24.	• The MRP charge for the year has been calculated in accordance with the methodologies permitted in the statutory guidance. • The Council's policy on MRP in relation to borrowing taken out for the acquisition of non-housing General Fund assets complies with statutory guidance. • The Council's policy on MRP was discussed and agreed with those charged with governance and approved by full council. • The level of increase in the MRP charge is reasonable in the context of additional borrowing incurred during the year. The Council has updated the wording of the policy in their financial statements to be factually correct. The wording has been updated to "For subsequent prudential borrowing incurred post 1 April 2008, the Council adopts Option 3 under Regulation 28 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, 'the asset life method', and the 'annuity' approach is used for calculating repayments. This means that payments are spread over the life of the asset, with smaller payments in the initial years increasing over the life which matches more closely the value the council gets from the asset and makes borrowing more affordable until the use of the asset is fully established, rather than a set charge over the asset life as would happen under the equal instalment method. It is also considered that this option is more cost effective as provision is not required until the year following actual capital expenditure". Following consultation the government have clarified and updated the regulations and the statutory guidance for minimum revenue provision. Although these take full effect from April 2025, the consultation highlighted that the intention was not to change policy, but to clearly set out in legislation the practices that authorities should already be following. This guidance clarifies that capital receipts may not be used in place of a prudent MRP and that MRP should be applied to all unfinanced capital expenditure and that certain assets should not be omitted from the calculation unless exempted by statute.	● [Green]

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2. Financial Statements: Information Technology

This section provides an overview of results from our assessment of Information Technology (IT) environment and controls which included identifying risks from the use of IT related to business process controls relevant to the financial audit. This includes an overall IT General Control (ITGC) rating per IT system and details of the ratings assigned to individual control areas.

			ITGC control area rating				
IT application	Level of assessment performed	Overall ITGC rating	Security management	Change management	Technology infrastructure	Related significant risks/other risks	Additional procedures carried out to address risks arising from our findings
SAP	ISAE 3402 Report Review from Hampshire.	🟢	🟢	🟢	🟢	Not Applicable	Not Applicable
RAM Asset Management	Design and implementation	🟠	🟠	🟢	⚫	Relates to valuation of Property Plant and Equipment and Investment properties valuations	The audit team have reconciled the asset register, the general ledger and the independent valuers reports. We are satisfied that the deficiencies have no impact on the financial statements.
Altair	ISAE 3402 report review	🟢	🟢	🟢	⚫	Relates to the valuation of the net pension benefit asset.	Not Applicable

Technology infrastructure is not required for RAM/Altair ITGC work to address the audit significant risks. The significant risks are addressed by our substantive testing audit work.

Assessment

- 🔴 Significant deficiencies identified in IT controls relevant to the audit of financial statements
- 🟠 Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
- 🟢 IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
- ⚫ Not in scope for testing

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2. Financial Statements: other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit and Transparency Committee. We have not been made aware of any incidents in the period or identified aby fraud during the course of our audit procedures that would impact on our opinion.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Council. The letter is included within the Audit and Transparency Committee papers.
Audit evidence and explanations	All information and explanations requested from management were provided, with the exception of those relating to the outstanding matters detailed on page 4. The financial statements were published and a full suite of supporting working papers was provided to the audit team prior to the commencement of the audit. The quality of working papers provided by the finance team to the audit team remain of a good standard.
Confirmation requests from third parties	We requested from management permission to send confirmation requests to the Council and Pension Fund's banking and investment counterparties. This permission was granted and the requests were sent. We have obtained all confirmations from the financial institutions. We wrote to those solicitors who worked with the Council, to confirm the completeness of provisions and contingent liabilities. All responses requested have been received.
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. We have requested that the Council update Note 5 to include the potential financial impact on the new leasing standard IFRS16. We have also requested the Council enhance the disclosures in Note 2 regarding the Assumptions made about the future and other major sources of estimation uncertainty for Property Plant and Equipment and Investment Properties to ensure that the note complies with International Accounting Standards. The Council has made the appropriate amendments.

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2. Financial Statements: other communication requirements

Our responsibility

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern" (ISA (UK) 570).

Issue	Commentary
Going concern	In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies. Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities: • the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities. • for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council's financial sustainability is addressed by our value for money work, which is covered in our Auditor's Annual Report. Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated: • the nature of the Council and the environment in which it operates • the Council's financial reporting framework • the Council's system of internal control for identifying events or conditions relevant to going concern • management's going concern assessment. On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that: • a material uncertainty related to going concern has not been identified • management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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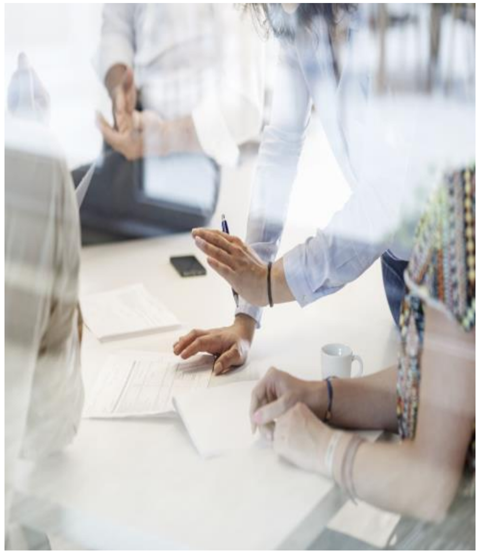
2. Financial Statements: other responsibilities under the Code

Issue	Commentary
Other information	We are required to give an opinion on whether the other information published together with the audited financial statements including the Annual Governance Statement, Narrative Report and Pension Fund Financial Statements, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. A few minor inconsistencies have been identified in the Narrative Report, but these have been adequately rectified by management. We plan to issue an unmodified opinion in this respect.
Matters on which we report by exception	We are required to report on a number of matters by exception in a number of areas: • If the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit. • If we have applied any of our statutory powers or duties. • Where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness/es. We have nothing to report on these matters.
Specified procedures for Whole of Government Accounts	We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. Work is not required as the Council does not exceed the audit threshold.
Certification of the closure of the audit	We intend to certify the closure of the 2023/24 audit of Royal Borough of Kensington and Chelsea Council upon completion of our Value for Money Conclusion work.



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3. Value for Money arrangements (VFM)

Approach to Value for Money work for 2023/24

The National Audit Office issued its guidance for auditors in April 2020. The Code require auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.

Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.

Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3–5 years)

Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information

Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows:

Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.

Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.

Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

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3. VFM: our procedures and conclusions

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. At this stage we have not identified any areas of significant weakness and we expect to issue a draft Auditor's Annual report shortly.

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4. Independence and ethics

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant matters that may bear upon the integrity, objectivity and independence of the firm or covered persons (including its partners, senior managers, managers and network firms.

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix E.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see Grant Thornton International Transparency report 2023.

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4. Independence and ethics

As part of our assessment of our independence we note the following matters:

Matter	Conclusion
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Council that may reasonably be thought to bear on our integrity, independence and objectivity.
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the council as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Council.
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided.
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from Members, senior management or staff that would exceed the threshold set in the Ethical Standard.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person and network firms have complied with the Financial Reporting Council's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements.

Following this consideration we can confirm that we are independent and are able to express an objective opinion on the financial statements. In making the above judgement, we have also been mindful of the quantum of non-audit fees compared to audit fees disclosed in the financial statements and estimated for the current year.

We confirm that we have implemented policies and procedures to meet the requirement of the Financial Reporting Council's Ethical Standard.

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4. Independence and ethics

The purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. None of the above services were provided on a contingent fee basis . In relation to the fees noted this includes all fees that were billed/paid or entered into from the 1st April 2023 to the present date. The following non-audit services were identified.

Audit related non-audit fees

Service	Fees £	Year relates to	Threats identified	Safeguards applied
Certification of Housing Benefit Grant Claim 2023-24	£43,000 core element plus £1,500 per day for additional testing. £60,000	2023-24	Self-Interest (because this is a recurring fee) Self Review Management	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work will be low in comparison to the total fee for the audit of £358,785 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level. We have not prepared the form which we will be reviewing. The factual accuracy of our report, including representations from management, will be agreed with management however we will not be performing any management functions as a result of this work. We are satisfied there is sufficient safeguards in place to mitigate the threats.
Teachers Pensions Return Certification 2023-24	12,500	2023-24	Self-Interest (because this is a recurring fee) Self Review Management	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work will be low in comparison to the total fee for the audit of £358,785 and relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level. We have not prepared the form which we will be reviewing. The factual accuracy of our report, including representations from management, will be agreed with management however we will not be performing any management functions as a result of this work. We are satisfied there is sufficient safeguards in place to mitigate the threats.
Certification of Housing Capital receipts grant 2023-24	10,000	2023-24	Self-Interest (because this is a recurring fee) Self Review Management	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work will be low in comparison to the total fee for the audit of £358,785 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level. We have not prepared the form which we will be reviewing. The factual accuracy of our report, including representations from management, will be agreed with management however we will not be performing any management functions as a result of this work. We are satisfied there is sufficient safeguards in place to mitigate the threats.

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4. Independence and ethics

Audit related non-audit fees

Service	Fees £	Year relates to	Threats identified	Safeguards applied
ESFA/GLA subcontracting audit 2023-24	8,500	2023-24	Self-Interest (because this is a recurring fee) Self Review Management	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work will be low in comparison to the total fee for the audit of £358,785 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level. We have not prepared the form which we will be reviewing. The factual accuracy of our report, including representations from management, will be agreed with management however we will not be performing any management functions as a result of this work. We are satisfied there is sufficient safeguards in place to mitigate the threats.
Total for 2023/24	91,000	The fee agrees to that disclosed in Note 21 Per the financial statements		

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4. Independence and ethics

Audit related non-audit fees

Service	Fees £	Year relates to	Threats identified	Safeguards applied
Certification of Housing Capital receipts grant 2022-23	10,000	2022-23	Self-Interest (because this is a recurring fee) Self Review Management	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work will be low in comparison to the total fee for the audit of £358,785 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level. We have not prepared the form which we will be reviewing. The factual accuracy of our report, including representations from management, will be agreed with management however we will not be performing any management functions as a result of this work. We are satisfied there is sufficient safeguards in place to mitigate the threats.
ESFA/GLA subcontracting audit 2022-23	8,000	2022-23	Self-Interest (because this is a recurring fee) Self Review Management	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work will be low in comparison to the total fee for the audit of £358,785 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level. We have not prepared the form which we will be reviewing. The factual accuracy of our report, including representations from management, will be agreed with management however we will not be performing any management functions as a result of this work. We are satisfied there is sufficient safeguards in place to mitigate the threats.
Certification of Housing Benefit Grant Claim 2022-23	43,000	2022-23	Self-Interest (because this is a recurring fee) Self Review Management	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work will be low in comparison to the total fee for the audit of £358,785 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level. We have not prepared the form which we will be reviewing. The factual accuracy of our report, including representations from management, will be agreed with management however we will not be performing any management functions as a result of this work. We are satisfied there is sufficient safeguards in place to mitigate the threats.

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4. Independence and ethics

Audit related non-audit fees

Service	Fees £	Year relates to	Threats identified	Safeguards applied
Teachers Pensions Return Certification 2022-23	10,000	2022-23	Self-Interest (because this is a recurring fee) Self Review Management	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work will be low in comparison to the total fee for the audit of £358,785 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level. We have not prepared the form which we will be reviewing. The factual accuracy of our report, including representations from management, will be agreed with management however we will not be performing any management functions as a result of this work. We are satisfied there is sufficient safeguards in place to mitigate the threats.
Certification of Housing Capital receipts grant 2021-22	7,500	2021-22	Self-Interest (because this is a recurring fee) Self Review Management	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work will be low in comparison to the total fee for the audit of £358,785 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level. We have not prepared the form which we will be reviewing. The factual accuracy of our report, including representations from management, will be agreed with management however we will not be performing any management functions as a result of this work. We are satisfied there is sufficient safeguards in place to mitigate the threats.
ESFA/GLA subcontracting audit 2021-22	7,000	2021-22	Self-Interest (because this is a recurring fee) Self Review Management	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work will be low in comparison to the total fee for the audit of £358,785 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level. We have not prepared the form which we will be reviewing. The factual accuracy of our report, including representations from management, will be agreed with management however we will not be performing any management functions as a result of this work. We are satisfied there is sufficient safeguards in place to mitigate the threats.

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4. Independence and ethics

Audit related non-audit fees

Service	Fees £	Year relates to	Threats identified	Safeguards applied
Teachers Pensions Return Certification 2021-22	7,500	2021-22	Self-Interest (because this is a recurring fee) Self Review Management	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work will be low in comparison to the total fee for the audit of £358,785 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level. We have not prepared the form which we will be reviewing. The factual accuracy of our report, including representations from management, will be agreed with management however we will not be performing any management functions as a result of this work. We are satisfied there is sufficient safeguards in place to mitigate the threats.
Certification of Housing Benefit Grant Claim 2021-2022	40,250	2021-22	Self-Interest (because this is a recurring fee) Self Review Management	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work will be low in comparison to the total fee for the audit of £358,785 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level. We have not prepared the form which we will be reviewing. The factual accuracy of our report, including representations from management, will be agreed with management however we will not be performing any management functions as a result of this work. We are satisfied there is sufficient safeguards in place to mitigate the threats.
Certification of Housing Capital receipts grant 2020-21	5,500	2020-21	Self-Interest (because this is a recurring fee) Self Review Management	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work will be low in comparison to the total fee for the audit of £358,785 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level. We have not prepared the form which we will be reviewing. The factual accuracy of our report, including representations from management, will be agreed with management however we will not be performing any management functions as a result of this work. We are satisfied there is sufficient safeguards in place to mitigate the threats.
Total	229,750	Total Grant fees that were billed/paid or entered into from the 1st April 2023 to the present date		

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Appendices

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A. Communication of audit matters to those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	•	
Confirmation of independence and objectivity	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

Distribution of this Audit Findings report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, we are also required to distribute our findings to those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report to all those charged with governance.

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B. Action Plan – Audit of Financial Statements

We have identified 3 recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2024/25 audit .The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
● Medium	Our testing has identified Property, Plant and Equipment Assets in the fixed asset register with a Gross Book Value of £33m that are fully depreciated and have a Net Book Value of Nil. The Council has confirmed that these assets are all still in use. This implies that the lives the useful economic lives for these assets are incorrect.	Management should review the Useful Economic Lives of assets to ensure that they are appropriate. **Management response** Useful economic lives of existing fully depreciated assets mentioned in this report will not be changed. However, for all other assets, a review of useful economic lives of assets will be carried out to extend the life of the assets if they are still in use.
● Medium	During the year we identified that bank account reconciliations were not undertaken on a timely basis. This was due to a key member of the finance team normally responsible for bank reconciliations was on secondment.	Management should undertake monthly bank reconciliations on a timely basis. **Management response** Management will ensure that monthly bank reconciliations are completed on a timely basis and are putting arrangements in place should secondments occur again.
● Medium	We identified through our review of the journal entry control environment that: • Senior personnel are registered as managers and are theoretically able to post non-balance sheet journal entries • There is no two-stage authorisation process for journal entry postings in place. We have not identified from our testing of journal entries any material misstatements or indications of management override of controls. However, we do not test every journal and there may be undetected fraud or error. Management is satisfied that compensatory controls exist and budget monitoring processes would identify any material instances of unusual activity.	• Senior personnel should not have access to post journal entries to the ledger as, whilst no postings were made by senior management during the year of audit, this ongoing access possess an increased risk of management override. • It is best practice to include either a manual or automated two-stage approval process for journal entries to evidence that entries have been subject to adequate review prior to posting. Without this approval process we consider that there is increased risk of undetected fraud or error. **Management's Response** The setting of security permissions and access roles offered in IBC/SAP is consistent across all Hampshire Partners. The system operates under a high trust model and does not include a two-stage verification method. The Council has several controls in place that provide assurance over appropriateness of journals posted into the system. These include regular compliance monitoring by journal documentation sampling, quarterly user activity reports to identify any inappropriate or unusual officer postings, and regular budget monitoring at cost centre level. Many Council departments also maintain journal logs that evidence off system approval between the journal originator and the processing officer. The Council is implementing a new finance system, Oracle, which is scheduled to go live on 1 April 2025. Oracle requires a two-stage journal entry process and senior managers will not be given access to post journal entries hence eliminating this risk.

Controls

- ● High – Significant effect on financial statements
- ● Medium – Limited Effect on financial statements
- ● Low – Best practice

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C. Follow up of prior year recommendations

We identified the following issues in the audit of the Council's 2022/23 financial statements, which resulted in 4 recommendations being reported in our 2022/23 Audit Findings report. We have followed up on the implementation of our recommendations as reported in the table below.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	Information Technology The following findings were identified from our IT review of the Council's fixed asset system (RAM). • We identified two business users who have been assigned 'Super user' administrative access to Management Reports Incorporated (MRI). These officers also hold business /financial reporting roles, this creates a segregation of duties conflict. • There are limited password parameters setup for the Council's fixed assets system RAM. • We noted that audit logs are configured to capture security event logs for MRI. However, management does not perform monitoring of logged activities such as privileged users or failed logins	As set out on page 13 management have changed the access rights of the Head of Financial Reporting. Management are investigating the system configuration as regards password controls and seeking to monitor user rights / failed logins. Note that only 3 Members of staff have access to the asset register so this is not a significant deficiency.
X	Bank Reconciliations Our review of the cash and bank control environment identified that there was no evidence of review and approval of bank reconciliations process before the journal posting.	We have obtained evidence that bank reconciliations are being reviewed by a senior independent member of the finance team. However, we have identified that bank reconciliations have not been performed on a timely basis throughout the year.
Partially completed one error identified	Accrual Process Our income completeness testing identified that income was not accrued as per de minimus accrual policy of £10,000. We identified samples slightly over this amount that were not being accrued	We have undertaken testing of 25 invoices raised and 25 bank receipts received at the year end period. From these 50 transactions we identified 1 transaction value £48k that related to 2023/24 that had been coded to the 2024/25 year. Undertaking further analysis and an extrapolation of the misstatement concluded that the potential misstatement was below our reporting levels.
✓	Cyber Security To enable effective cyber and information risk management the Council needs to understand what data and information it has within it's IT systems. This should then be classified based on sensitivity and importance (both to the entity and related individuals / organisations). This approach and the different classifications should be formally documented through a classification policy. The council does not have a formal data classification policy with supporting controls	The Council has now implemented a data classification policy.

Assessment

✓ Action completed

X Not yet addressed

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D. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2024.

Detail	Comprehensive Income and Expenditure Statement £000	Balance Sheet £000	Impact on general fund £000
Our work on Assets Under Construction identified 2 assets that the Council are constructing with the sole purpose of renting out the properties at market rent/holding for capital appreciation purposes thus meeting the definition of Investment Properties. They should therefore be classified as Assets Under Construction Investment Properties rather than AUC Property Plant and Equipment value is £12,494k transferred from AUC PPE to AUC Investment Property	Nil	Dr Investment Properties Assets Under Construction 12,494 Cr Property Plant and Equipment Assets Under Construction 12,494	Nil
Our testing of other Land and Buildings identified that the MEA/Gross Internal Area used for Kensington Queensmill/Barlby New Primary School was incorrect as the valuer initially valued this asset as a mainstream school rather than a special school. This lead to an understatement in the valuation of the school of £9,140k	Cr CIES cost of services 3,358	Dr Property Plant and Equipment Land and buildings 9,140 Cr Revaluation Reserve 5,782	Nil. The impact on CIES is reversed through the Movement In Reserves Statement so it does not impact on the general fund balance
Overall impact	Improvement in CIES balance of 3,358	Increase in Property Plant and Equipment 9,140	0

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D. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure/issue/Omission	Auditor recommendations	Adjusted?
Page 8 of the narrative report refers to shared services with Westminster City Council, but then is no further mention in the accounts. We have requested the detail of the nature of the Section 113 agreement with Westminster and the accounting arrangements is included in the accounts.	Management have agreed to amend the disclosure note.	✓
The footnote to the Consolidated Income and Expenditure Statement (CIES) reports the same values as are stated in the CIES for the prior year and not the amounts had they been re-stated in accordance with the current format. The footnote needs amending to "In 2023/24, Environment and Communities was renamed 'Environment and Neighbourhoods' as the Communities department transferred to the Chief Executives service. As the change in comparators is not material, the 2022/23 comparators have not been re-stated. Had the comparators been re-stated the comparative figures for the Chief Executive service are Gross Expenditure of £14.876 million and Gross Income of £3.802 million; Environment and Neighbourhoods service are Gross Expenditure of £84.382 million and Gross Income of £75.466 million.	Management have agreed to update the foot note to the Consolidated Income and Expenditure Statement.	✓
Note 2 Assumptions made about the future and other major sources of estimation uncertainty. The disclosures for Property, Plant and Equipment and Investment Property did not meet the requirements of International Accounting Standard 1. The note did not explain the following: • The elements of balances are affected, and the associated carrying value. • Explain the assumptions that give rise to the uncertainty. • Provide some sensitivity to show how the carrying value would be affected by changes in the key assumptions. In addition, the Investment Property disclosure referred to asset lives and depreciation which is not relevant to investment property.	Management have agreed to amend the disclosure note.	✓
Note 5 Accounting standards issued but not yet adopted describes but does not quantify the impact on the financial statements of the implementation of IFRS 16	Management have agreed to amend the disclosure note.	✓
Note 11 nature of expenses reports net interest received of £21.3m as negative expenditure. This should be included within the income disclosure.	Management have agreed to amend the disclosure note.	✓
Note 22 was not clear whether the pooled budget arrangement is a joint arrangement or whether one party is acting as principal or agent, or whether parties are commissioning their own services spending their own resources. As a result, it is not clear what the impact is on the financial statements and what gross expenditure and gross income is reflected in the Consolidated Income and Expenditure Statement.	Management have agreed to amend the disclosure note.	✓

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D. Audit Adjustments

Disclosure/issue/Omission	Auditor recommendations	Adjusted?
Note 27 Heritage Assets the 2022/23 figure for Heritage Assets line item does not agree to the prior. This is due to the Arts In Parks figure being understated by £107k with the overstatement on the Heritage properties and Museum Collections resulting in management making a Prior Period Adjustment. However, this is immaterial and as per IAS8, no Prior Period Adjustment is needed. Management has agreed to remove the PPA and make an in year adjustment.	Management has agreed to remove the Prior Period Adjustment and treat as an in year adjustment.	✓
Capital expenditure relating to Climate/Vision Carbon Zero Fund Project was incorrectly classified as Asset Under Construction instead of Other Land and Buildings, Infrastructure Assets and Revenue Expenditure Funded Under Statute.	Management have agreed to amend the disclosure.	✓
Note 32 contingent liability includes notification of a legal dispute. During the audit the Council has settled the claim and made payment of £2m (split between the Council and other 21 consortium Members) the payment made by the Council is trivial. The note can now be removed.	The Council has agreed to remove the note.	✓
Accounting Policy regarding the Council Dwellings Useful Life of 55 needs updating to of between 50-100 years	The Council has updated the policy.	✓
Note 24 Property, Plant and Equipment. The Barlby and Treverton redevelopment project included £5.4m of assets categorised as Assets under Construction that were being used as temporary accommodation and should be transferred to Other Land and buildings.	Management have agreed to amend the disclosure.	✓
Note 7 - Transfers in earmarked reserves (Note 7) for the Budget Stabilisation Reserve(BSR) and Civil Claim Settlement(CCS) do not match the agreed transfers in the Outturn report.	Management has agreed to amend the Budget Stabilisation Reserve Transfer out - from £20,292k to £18,955k and the Civil Claim Settlements Transfer in from -£7,250k to -£5,913k.	✓
Note 10 Adjustments between accounting and funding bases – Expenditure and Funding Analysis. We identified £33,772k which pertains to the Grenfell Settlement amounting which has been accounted for in the Other adjustments rather than the Capital Adjustments.	Management have agreed to amend the Other Income and Expenditure (GF) line - Capital = From £3,781k to -£29,991k and the Other Income and Expenditure (GF) line - Other = From -£52,884k to -£19,112k.	✓
Note 21 External Audit fee costs – The Grants Audit fee was updated to £91,000 to take account of work on the ESFA/GLA subcontracting audit 2023-24. The audit fee for this Grant claim was £8,500 and was agreed after the draft financial statements were prepared.	Management have agreed to amend the disclosure.	✓

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D. Audit Adjustments

Disclosure/issue/Omission	Auditor recommendations	Adjusted?
Note 24 disclosure of capital commitments requires comparatives at the same level of detail. One capital commitment initially disclosed relates to Schools Carbon Zero programme amounting to £4.2m in which the contract was not signed as of year-end so has been removed. The commitment disclosed for the Walkways project is understated by £6.9m.	Management have agreed to amend the disclosure note.	✓
Note 33 Financial Instruments - The Fair Value table for financial liabilities reports £649m as the total - but this is the total of all liabilities per the balance and should not include the items that are not financial instruments.	Management have agreed to amend the disclosure note to include the fair values for the financial instrument balances.	✓
Note 33 Financial Instruments - There are no Fair Value disclosures for the £23m of financial assets measured at Fair Value Through Profit and Loss.	Management has added the required disclosures to ensure the accounts are compliant with paragraph 2.10.4 of the code.	✓
Note 34 Financial Instruments – The impact of rise in interest rates states the Fair Value of investments would increase, but it would fall.	Management have agreed to amend the disclosure note.	✓
Note 39 and 40 of the cash flow statement report that the net purchase or disposal of investment and the net receipt/ payment of borrowing. Also the cash receipts/ repayments of other liabilities are reported net. The CIPFA Code of Practice on Local Authority Accounting paragraph 3.4.2.77 requires gross amounts to be reported in either the cash flow statement or otherwise in these notes.	Management have agreed to amend the disclosure note.	✓
Accounting policies given separate section and not described as note to the accounts.	Management have now made it clear that the accounting policies are a note to the accounts.	✓
Accounting Policy Minimum revenue Provision states that the annuity approach is used and 'that ensures payments are spread equally over the life of the asset". Also that 'loading payments in the years of the asset life as would happen under the equal instalment method'. These statements are incorrect as equal instalment would spread equally and annuity tends to push the charges to later in the life.	Management have agreed to amend the disclosure note.	✓
The net cost of Housing Revenue Account services as included in the Consolidated Income and Expenditure Statement within the Housing Revenue Account reports £69.883m. However, the Consolidated Income and Expenditure Statement reports £67.728m. Our view is these figures should match.	The difference of £2.155m are recharges that are appropriate to include in the HRA as a stand alone account, but should be excluded from Consolidated Income and Expenditure Statement as internal recharges are excluded from the CIES. The difference is not material and the Council has agreed to review the accounting for 2024-25.	X

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D. Audit Adjustments

Disclosure/issue/Omission	Auditor recommendations	Adjusted?
Note 9 the Expenditure and Funding Analysis. The figures disclosed as reported in the narrative report do not agree to outturn report presented to the Leadership Team in July 2024.	Management have agreed to update the narrative report and the balances within Note 9.	✓
Note 24 - 54 St Helens Gardens project was ceased during the year. A formal options appraisal is due to be completed for alternative uses for the site. Based on this, the project is no longer an Asset under Construction as at 31 March 2024. The project should be moved to other land and buildings.	Management have not adjusted for the misstatement on grounds of materiality and that no decision has yet to be made on the project.	X
Note 19 Officer remuneration: Senior Officer shared posts employed by other local authorities the Council's share of His Majesty's Coroner – Inner West London should be £34,643 not £36,643	Management have agreed to amend the disclosure note.	✓
Note 8 to the HRA the total expected credit loss provision of £4.052m did not match the balance sheet of £2.892m. Note 8 has been amended.	Management have agreed to amend the disclosure note.	✓
The Adult Social Care Discharge Fund and Social Care Support Grant have been incorrectly included within Note 14. As these are Ringfenced Grants, these should be included within Note 15 and classified within the cost of services section in the Consolidated Income and Expenditure Statement. The total amendment for these grants is £14.984m.	Management have agreed to amend the disclosure note.	✓
The adjustment (£43,664k) in Note 6 for the application of capital grant to capital financing under Capital Grants Unapplied Account (CGUA) does not agree with the balance of £46,995k in Note 8(Capital Adjustment Account) and Note 28 (Capital Financing Requirement). The Council has agreed to adjust the presentation in Note 6.	Management have agreed to amend the disclosure note.	✓
Note 15 - Current Liabilities. £2.2m Health Lodge Funds - Currently there are no plans to use this fund and so does not meet the conditions for the short term liabilities. This should be classified as a Long Term Liability.	Management has decided not to amend the accounts as the amount is not material and this is purely a presentational split between short and long term areas.	✓
Note 36 page 78. The Council has agreed to update the disclosure to "The last triennial actuarial valuation, as at 31 March 2022, indicated that the RBKC Pension Fund was 154% funded, with a whole fund primary employer contribution rate of 15.0%. The funding level is estimated at 199% as at 31 March 2024".	Management have agreed to amend the disclosure note.	✓
Note 23 Related parties. The note states 17 Members and 1 officer held positions of control or significant influence in related parties to the Council during 2023/24. Documents provided showed the numbers should be 13 Members and 1 Officer.	Management have agreed to amend the disclosure note.	✓
Note 37 leases. The future minimum operating lease payments receivable under non-cancellable leases for non-operational assets in future years has been amended to agree with revised calculations	Management have agreed to amend the disclosure note.	✓

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D. Audit Adjustments

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2023/24 audit which have not been made within the final set of financial statements. The Audit and Transparency Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Comprehensive Income and Expenditure Statement £000	Balance Sheet £000	Impact on general Fund £000	Reason for not adjusting
There is an overstatement of £1.385m within the Debtors Note 29 which does not agree to HRA Note 8. Debtors note 29 has £7,140k compared to HRA Note 8 of £5,755k. The Council has identified the misstatement after closing the accounts and has adjusted within 2024/25.	Dr Housing Revenue Account Income 1,385	Cr HRA Debtors 1,385	0 as impact is on HRA not General Fund	Balance is not material and has been adjusted in 2024-25.
Our testing of operational expenditure identified 2 samples out of 55 where the expenditure coded to 2023-24 had been overstated by the Council. The extrapolated misstatement is £2,215k. Note that this is an extrapolation to identify the potential error	Cr Gross Expenditure Cost of Services 2,215	Dr Creditors 2,215	2,215	The misstatement is based on an extrapolation and is well below materiality levels.
Our testing of other Land and Buildings identified the following misstatements made by the valuer in their calculations of other Land and buildings: • The Modern Equivalent Asset (MEA) calculation of the primary schools was incorrect for those schools - For with nursery services, the valuer has mistakenly excluded the number of nursery requirement needed to calculate the total MEA value is understated. • The demolition cost forms part of the Build cost of an asset that is being valued through Depreciated Replacement cost. The valuer used the prior year demolition cost which is based in instead of 2023/24. This has led to the valuation being understated. • The incorrect obsolescence rate was used for Kensington leisure Centre. The asset valuation is overstated. The net impact of the above is to increase the Land and buildings Balance by £1,065k	Cr Gross Expenditure Cost of Services 1,065	Dr Property Plant and Equipment Land and Buildings 1,185 Dr Revaluation Reserve 120	0	Balance is well below materiality and has no impact on the General Fund balance
Overall impact	**1,895**	**1,895**	**2,215**	

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D. Audit Adjustments

Impact of prior year unadjusted misstatements

The table below provides details of adjustments identified during the prior year audit which had not been made within the final set of 2022/23 financial statements

Detail	Comprehensive Income and Expenditure Statement £000	Balance Sheet £000	Impact on total net expenditure £000	Reason for not adjusting
When the Council pays capital grants to the schools, this is currently being reflected as capital expenditure in the Council's ledger. At year end, this total capital grant is being capitalised to the asset for that school on the balance sheet. However, the Council should only be capitalising the amount of grant that was actually spent by the school.	Debit Grant income 1,492	Credit Capital Grants received in Advance 1,,492	1,492	The balance is immaterial.
Overall impact	1,492	1,492	1,492	

The amendment above was not made within the final set of 2022/23 financial statements. However, the adjustment was put through in 2023/24.

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E. Fees and non-audit services

Audit fees	2023-24 Proposed
Fee as per plan	£358,735
Total audit fees (excluding VAT)	**£358,735**

As communicated in our audit plan, the scale fee is £343,235. ISA315 (£12,500) and external valuer costs (£3,000) are not included in the scale fee and require approval from the PSAA as a fee variation. The total external valuer costs have not been finalised as our PPE work is still ongoing at the time of issuing this report so the above figure only includes the fixed element cost of the work.

The fees reconcile to the financial statements.

Non-audit fees for other services	2023-24 Fee
Audit Related Services Grant claims relating to 2023-24	£91,000
Total non-audit fees (excluding VAT)	**£91,000**

None of the above services were provided on a contingent fee basis. This covers all services provided by us and our network to the Council, its directors and senior manager and its affiliates, and other services provided to other known connected parties that may reasonably be thought to bear on our integrity, objectivity or independence.

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