

London Borough of Richmond upon Thames Council

Final Audit Results Report
Year ended 31 March 2025
20 February 2026



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London Borough of Richmond Upon Thames
Civic Centre,
44 York Street,
Twickenham, TW1 3BZ

20 February 2026

Dear Audit, Standards and Statutory Accounts Committee Members

2024/25 Audit results report

We attach our audit results report, summarising the status of our audit.

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

The Audit Committee, as the Council's body charged with governance, has an essential role in ensuring that it has assurance over both the quality of the draft financial statements prepared by management and the Council's wider arrangements to support the delivery of a timely and efficient audit. We consider and report on the adequacy of the Council's external financial reporting arrangements and the effectiveness of the Audit committee in fulfilling its role in those arrangements as part of our assessment of Value for Money arrangements; and consider the use of other statutory reporting powers to draw attention to weaknesses in those arrangements where we consider it necessary to do so. We draw Audit Committee members' and officers' attention to the Public Sector Audit Appointment Limited's Statement of Responsibilities (paragraphs 26-28) which clearly sets out what is expected of audited bodies in preparing their financial statements.

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

The [2025 Transparency Report](#) for EY UK provides details regarding the firm's system of quality management, including EY UK's system of quality management annual evaluation conclusion as of 30 June 2025.

Yours faithfully

Ben Lazarus

Partner, For and on behalf of Ernst & Young LLP

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

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

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

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



01 Executive Summary

Executive Summary – Context for the audit

Context for the audit - Measures to address local audit delays

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

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

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

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

As reported in our 25 February 2025 Audit Results Report we issued a disclaimer of opinion on the Council's 2023/24 and 2022/23 financial statements under these arrangements to reset and recover local government audit. In 2024/25, we have continued to audit the closing balance sheet and in-year transactions. Although the level of assurance gained has increased, we have not yet obtained sufficient evidence to have reasonable assurance over all in-year movements and closing balances. As a result of the disclaimer of opinion on the 2023/24 financial statements, we do not have assurance over some brought forward balances from 2023/24 where we did not gain assurance (the opening balances). This means we do not have assurance over all 2024/25 in-year movements and the comparative prior year movements. We also do not have assurance over all the 2023/24 comparative balances disclosed in the 2024/25 financial statements. [We have considered the form of our audit report, and whether we can issue a qualified 2024/25 audit opinion this year rather than a disclaimer. This is consistent with LARRIG 01 and the illustrative timescale for progress to full assurance, which set out that there is potential for qualified except for, but more likely to be disclaimed. Following internal consultation, a qualified audit report was agreed, and this is included at section 04 of this report. This marks a significant step forward from the disclaimer audit opinion issued in the prior year.](#)

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

Executive Summary – Context for the audit

Scope update

In our Audit Planning Report presented at the 24 April 2025 Audit, Standards and Statutory Accounts Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan, with the following exceptions:

Council

- Changes in materiality: As outlined in Section 04 of the Audit Planning Report, our initial planning materiality for the 2024/25 audit was set at £9.7 million, with performance materiality at £4.8 million and an audit difference threshold of £0.48 million. These thresholds were determined based on the audited financial statements for the year ended 2023/24. Following receipt of the draft financial statements for 2024/25, we have reassessed and updated our materiality levels to reflect the latest financial information. The revised planning materiality is £10.5 million, with performance materiality increased to £5.2 million and the audit difference threshold raised to £0.52 million.

Group

- As outlined in Section 04 of the Audit Planning Report component performance materiality at £5.2 million. This threshold was determined based on the audited financial statements for the year ended 2023/24. Following receipt of the draft financial statements for 2024/25, we have reassessed and updated our materiality levels to reflect the latest financial information. We note that the component assigned performance materiality remained at £5.2 million.

Status of the audit

Our audit work in respect of the Council and Group opinion is complete. Please refer to Appendix A for details of summary of assurance obtained against each area including group.

Value for Money

In our Audit Planning Report dated 09 April 2025, we reported that we had not completed our value for money (VFM) risk assessment. Having updated and completed the planned procedures in these areas we did not identify a significant weakness. See Section 03 of the report for further details.

Audit differences

From the work completed to date, We have summarised below the uncorrected and corrected misstatements.

Uncorrected Misstatements (Including Judgemental and Projected Misstatements):

Based on the work completed to date, below are the details of uncorrected errors which exceeds our reportable thresholds of £0.5 million.

➤ Creditors/Accrued Liabilities

- We identified two factual uncorrected misstatements of £1,262k, comprising a £735k housing benefit accrual and a £526k teachers' pensions accrual for March 2025, both of which relate to the 2024/25 financial year but were incorrectly recognised in 2025/26. This has resulted in an understatement of creditors and related expenditure in the current year.

Executive Summary (cont'd)

Audit differences (cont'd)

- We have also identified a projected misstatement of £527k during our creditors cut off testing. This related to creditor balances which related to 2024/25 but had not been recognized in the year resulting in understatement of creditors and expenditure in the year. We are required to consider the impact of these sample errors on the overall population subject to audit, which includes calculating a total extrapolated misstatement. The projected misstatement is based on individual differences in the EY sample of £311k in total. Management is not expected to correct this amount, as it represents an estimate based on the sample tested rather than an actual misstatement amount across the entire population.
- Debtors/Accrued Receivable
- As part of our testing of VAT debtors we identified that the council had incorrectly classified £2m in relation to a VAT refund from HMRC as a VAT debtor. The transaction relates to income that has been received from HMRC and therefore should be recognised within Income. The misclassification has not been corrected in the financial statements and is with management to decide upon the accounting treatment
 - We have identified a projected misstatement of £1,262k during our cut off testing where the debtor balance relates to 2024/25 but has not been recognised in the year as the amount falls below the council de minimis limit of £10k. This results in an understatement of debtors and related income in the current year. The projected misstatements identified have arisen where a sample has been selected from a population and one, or more, sample items contained a misstatement. We are required to consider the impact of these sample errors on the overall population subject to audit, which includes calculating a total extrapolated misstatement. The projected misstatement is based on individual small differences in the EY sample of £871 in total. Management is not expected to correct this amount, as it represents an estimate based on the sample tested rather than an actual misstatement amount across the entire population.
 - We have identified a projected misstatement of £859k during our system debtors testing where the debtor balance relates to 2025/26 however since the amount falls below the council de minimis limit of £10k it has been recognised in 2024/25 when the invoice was received regardless of the actual period to which it relates. This results in overstatement of debtors and related income in the current year. The projected misstatements identified have arisen where a sample has been selected from a population and one, or more, sample items contained a misstatement. We are required to consider the impact of these sample errors on the overall population subject to audit, which includes calculating a total extrapolated misstatement. The projected misstatement is based on individual small differences in the EY sample of £402 in total. Management is not expected to correct this amount, as it represents an estimate based on the sample tested rather than an actual misstatement amount across the entire population.
- Property, Plant and Equipment (PPE) Valuations/Additions
- We have identified a judgemental misstatement of £1.3m during our asset valuation testing resulting in overstatement of the asset valuation in 2024/25. The asset has been reviewed by our internal specialist and falls outside our acceptable range by £1.2m. The variance primarily arises from differences in the yield applied, which is a key assumption in determining Existing Use Value (EUV) / Fair Value (FV).
 - We identified an adjustment of £2.3m relating to an asset valued under Existing Use Value (EUV), which results in an overstatement of the asset valuation in 2024/25. Management explained that this adjustment was intended to reverse a downward valuation recognised earlier in the year. However, our internal valuation specialist had reviewed the original valuation prior to this adjustment and was satisfied that it was appropriate. On this basis, we consider that the subsequent adjustment should not be recognised.
 - We identified a projected misstatement of £714k during our PPE additions testing where invoices relating to 2023/24 had been recognized in 2024/25 resulting in overstatement of the PPE balance in the year. We are required to consider the impact of these sample errors on the overall population subject to audit, which includes calculating a total extrapolated misstatement. This projected misstatement is based on individual small differences in the EY sample of £22k in total. Management is not expected to correct this amount, as it represents an estimate based on the sample tested rather than an actual misstatement amount across the entire population.

Executive Summary (cont'd)

Audit differences (cont'd)

➤ REFCUS Expenditure

- We have identified a misstatement of £805k during our REFCUS testing. This represents a factual misstatement of £373k and projected misstatement of £432k. The factual misstatements relates to a sample transactions which spans across 2023/24 and 2024/25 financial years. However, the whole expenditure has been incorrectly recorded in the current year resulting in an overstatement of REFCUS expenditure in 2024/25.
- The projected misstatement of £432k relates to incorrect capitalisation of VAT within the REFCUS expenditure resulting in an overstatement of REFCUS expenditure. The projected misstatements identified have arisen where a sample has been selected from a population and one, or more, sample items contained a misstatement. We are required to consider the impact of these sample errors on the overall population subject to audit, which includes calculating a total extrapolated misstatement. This projected misstatement is based on individual small differences in the EY sample of £7.8k in total. Management is not expected to correct this amount, as it represents an estimate based on the sample tested rather than an actual misstatement amount across the entire population

➤ Capital Grant and Contribution

We have identified a projected misstatement of £854k during our capital grant testing where the income relates to 2023/24 recognised in current year. during our REFCUS testing. This projected misstatement is based on individual small differences in the EY sample of £20k in total. Management is not expected to correct this amount, as it represents an estimate based on the sample tested rather than an actual misstatement amount across the entire population.

Corrected Misstatements

➤ Leases

We have identified an understatement of Right of use asset related to Quadrant car park lease of £7.8m due to incorrect rental value used for lease calculation. The impact of on lease liability and expenditure were £8m and £137k. This has been corrected by management.

Disclosure Misstatements:

We have identified the following disclosure misstatements:

- We identified an understatement of £1.7m on the creditor balance in Note 19 Financial instruments .This was due to certain creditor balances, which meet the definition of financial assets, not being included in the note. This is a disclosure misstatement only.
- We identified one instances in our testing of Note 34 Exit packages where the severance payment balances were overstated by a total of £4.2k.
- We have identified the following within Note 34 officers' remuneration.
 - For one senior employee they were incorrectly banded within £65,001 to £70,000 instead of £70,001 to £75,000 in the banding table as part of this note.
 - Additionally, for senior employees who were disclosed in the prior year but not included in the current year, a narrative explanation should have been provided to clarify their absence in the current year.

All the above disclosures misstatements have been corrected in the financial statements.

Executive Summary (cont'd)

Other reporting issues

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

We have not yet performed the procedures required by the NAO on the Whole of Government Accounts submission. We anticipate that the Council will be under the threshold prescribed by the NAO. We cannot issue our Audit Certificate until these procedures are complete, and the NAO has confirmed no further procedure are required.

Executive Summary (cont'd)

Areas of audit focus

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

Risk	Conclusion of our work
Fraud Risk- Misstatement due to fraud or error	<ul style="list-style-type: none"> We have not identified any evidence that management has overridden controls in order to prepare fraudulent financial statement balances or postings within the financial statements.
Fraud Risk - Risk of fraud in revenue and expenditure recognition, through inappropriate capitalisation of revenue expenditure	<ul style="list-style-type: none"> From the audit work completed to date on property, plant and Equipment additions testing, we have identified one instance of incorrect capitalisation within Property, Plant and Equipment (PPE), where the Council had capitalised £0.6 million related to additions to Ham and Petersham Youth Centre within Land & Buildings resulting in an overstatement of PPE balances at the year end. This expenditure represents an Asset Under Construction and should be reclassified accordingly. This has been corrected by management. Further as noted above, we have identified a projected misstatement of £714k during our PPE additions testing where the invoices relates to 2023/24 had been recognized in the 2024/25 resulting in overstatement of PPE balance in the year. This misstatement remains uncorrected. We have not identified any evidence to suggest that this misstatement was the result of fraud or bias. The matter arose from from timing issues rather than any intentional inappropriate capitalisation of expenditure. As part of our testing of Revenue Expenditure Funded from Capital Under Statute (REFCUS), We identified a total misstatement of £805k, comprising a factual misstatement of £373k due to the incorrect allocation of expenditure across years and a projected misstatement of £432k from VAT capitalisation errors. See page 7 above for more detail on errors. Both misstatements remain uncorrected.
Significant Risk - Valuation of land and buildings – valued under Existing Use Value (EUV) / Fair Value (FV)	<ul style="list-style-type: none"> We engaged our internal valuation specialist to support the audit work relating to the valuation of land and buildings measured on an EUV or FV basis. We identified an adjustment of £2.3m relating to an asset valued under Existing Use Value (EUV), which results in an overstatement of the asset valuation in 2024/25. Management explained that this adjustment was intended to reverse a downward valuation recognised earlier in the year. However, our internal valuation specialist had reviewed the original valuation prior to this adjustment and was satisfied that it was appropriate. On this basis, we consider that the subsequent adjustment should not be recognised. The difference remains uncorrected.
Significant Risk - Valuation of investment property – valued under Existing Use Value (EUV) / Fair Value (FV)	<ul style="list-style-type: none"> We engaged our internal valuation specialist to support the audit work relating to the valuation of investments properties measured on an EUV or FV basis. As noted above, we identified a judgemental misstatement of £1.2m during our asset valuation testing resulting in overstatement of the asset valuation in 2024/25. The variance primarily arises from differences in the yield applied, which is a key assumption in determining Existing Use Value (EUV) / Fair Value (FV). The difference remains uncorrected.

Executive Summary (cont'd)

Areas of audit focus (cont'd)

Risk	Status of our work
Risk of material misstatement (ROMM) - Valuation of land and buildings in property, plant and equipment (PPE) under Depreciated Replacement Cost (DRC)	<ul style="list-style-type: none">Based on the audit procedures performed, no material misstatements were identified in respect of the valuation of assets within scope.
Risk of material misstatement (ROMM) - Pension Liability Valuation	<ul style="list-style-type: none">We engaged our internal pensions specialists to support the audit work relating to the valuation of the Council's pension liability, including the roll-forward of liabilities. As a result of the procedures performed, no material differences were identified.
Risk of material misstatement (ROMM) - Application of IFRS 16	<ul style="list-style-type: none">Our audit work in relation to the Council's transition to IFRS 16 - Leases is complete. Based on the audit procedures performed, all adjustments identified in relation to leases calculation were communicated to management and have been fully corrected within the financial statements. The council also included the mandatory IFRS 16 transition disclosures appropriately in the in updated statement of accounts.

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

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

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

Control observations

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

During the audit we identified a number of observations and improvement recommendations in relation to management's financial processes and controls. Further details of the control recommendation are included within section 06 of this report.

Independence

We confirm our independence. Please refer to Section 08 for a further update on Independence.

Executive Summary (cont'd)

Factors impacting the execution of the audit

Management, and the Audit, Standards and Statutory Accounts Committee, as the Council's body charged with governance, have an essential role in supporting the delivery of an efficient and effective audit. Our ability to complete the audit is dependent on the timely formulation of appropriately supported accounting judgements, provision of accurate and relevant supporting evidence, access to the finance team and management's responsiveness to issues identified during the audit. The table below sets out our views on the effectiveness of the Council's arrangements to support external financial across a range of relevant measures.

Area	Status			Explanation	Further detail
	R	A	G		
Timeliness of the draft financial statements	Effective			The financial statements were published by the 30th June 2025 deadline set out in the Accounts and Audit Regulations.	N/A
Quality and completeness of the draft financial statements	Improved from previous year but requires further improvement			There are mandatory disclosures on the Council's transition to IFRS 16 which were missing in the financial statements which should have been detected through internal quality review prior to publication.	See Section 02 below
Delivery and quality of working papers in accordance with agreed client assistance schedule	Improved from previous year but requires further improvement			Working papers as per the initial client assistance schedule were not in all cases provided to the agreed timetable. However, we have noted an improvement in the timeliness, quality and completeness of information compared to prior years.	We will further consider the impact of this on scale fee variation at section 08
Timeliness and quality of evidence supporting key accounting estimates	Effective			Working papers and supporting evidence received for the valuation of PPE and IP assets was of appropriate quality.	N/A
Access to finance team and personnel to support the audit in accordance with agreed project plan	Effective			All the finance team members were available to support the audit.	N/A
Volume and value of identified misstatements	Improved from previous year but requires further improvement			A number of material misstatements were detected as a result of our work which have been corrected by management. We acknowledge that the number of misstatements identified during the current year audit has reduced compared to the prior year, indicating an improvement	See Sections 01 & 05 for details of corrected and uncorrected misstatements.



02 Areas of Audit Focus

Areas of Audit Focus

Fraud Risk- Misstatements due to fraud or error

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

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

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

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

What are our conclusions/Status of work?

We have not identified any material issues, inappropriate judgements, or unusual transactions that would indicate deliberate misreporting of the Council's financial position or management override of controls.

Our journal entry testing is complete. The work performed has not resulted in any amendments to the financial statements, nor has it identified any indication of fraud.

Our work on estimates is complete. We did not identify any indicators of management bias.

Our response to the key areas of challenge and professional judgement

We have performed the following procedures:

- Identified fraud risks during the planning stages.
- Inquired with management about risks of fraud and the controls put in place to address those risks.
- Obtained understanding of the oversight given by those charged with governance of management's processes over fraud.
- Discussed with those charged with governance the risks of fraud in the entity, including those risks that are specific to the entity's business sector (those that may arise from economic industry and operating conditions).
- Considered whether there are any fraud risk factors associated with related party relationships and transactions and if so, whether they give rise to a risk of material misstatement due to fraud.
- Considered the effectiveness of management's controls designed to address the risk of fraud.
- Determined an appropriate strategy to address those identified risks of fraud.
- Performed mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements.
- Undertook procedures to identify significant unusual transactions.
- Considered whether management bias was present in the key accounting estimates and judgments in the financial statements.
- Increased professional scepticism to be maintained while performing the aforementioned procedures to critically assess the reliability and sufficiency of audit evidence.

Areas of Audit Focus

Fraud Risk- Inappropriate Capitalisation of Revenue Expenditure

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

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

We have assessed the risk is most likely to occur through the inappropriate capitalisation of revenue expenditure.

Our response to the key areas of challenge and professional judgement

- We have performed the following procedures:
- Used lower testing thresholds when selecting samples for PPE, Investment Property, and REFCUS to adequately reflect the heightened fraud risk in these areas
- Tested PPE and Investment Property (IP) additions to ensure that the expenditure incurred and capitalised is clearly capital in nature.
- Assessed whether the capitalised spend clearly enhances or extends the useful life of asset rather than simply repairing or maintaining the asset on which it is incurred.
- Considered whether any development or other related costs that have been capitalised are reasonable to capitalise, i.e., the costs incurred are directly attributable to bringing the asset into operational use.
- Tested REFCUS to ensure that it is appropriate for the revenue expenditure incurred to be financed from ringfenced capital resources.
- Identified and understood the basis for any significant journals transferring expenditure from revenue to capital codes on the general ledger at the end of the year.
- Increased professional scepticism to be maintained while performing the aforementioned procedures to critically assess the reliability and sufficiency of audit evidence.

What are our conclusions/Status of work?

In relation to work completed on property, plant and Equipment additions testing, we have identified one instance of incorrect capitalisation within Property, Plant and Equipment (PPE), where the Council had capitalised £0.6 million related to additions to Ham and Petersham Youth Centre within Land & Buildings resulting in an overstatement of PPE balances at the year end. This expenditure represents an Asset under Construction and should be reclassified accordingly. This has been corrected by management.

Further within the PPE Additions, we have identified projected misstatement of £714k where invoices related to 2023/24 but had been recognised in the 2024/25 resulting in overstatement of the PPE balance in the year. This misstatement remains uncorrected. We have not identified any evidence to suggest that this misstatement was the result of fraud or bias. The matter arose from timing issues rather than any intentional inappropriate capitalisation of expenditure.

Further, As part of our testing of Revenue Expenditure Funded from Capital Under Statute (REFCUS), we have identified a total misstatement of £805k. This represents a factual misstatement of £373k and a projected misstatement of £432k. The factual misstatements relates to a sample of transactions which spans across the 2023/24 and 2024/25 financial years. However, the whole expenditure has been incorrectly recorded in the current year resulting in an overstatement of REFCUS expenditure in 2024/25. The projected misstatement of £432k relates to the incorrect capitalisation of VAT within the REFCUS Expenditure resulting in an overstatement of REFCUS expenditure. The projected misstatements identified have arisen where a sample has been selected from a population and one, or more, sample items contained a misstatement. We are required to consider the impact of these sample errors on the overall population subject to audit, which includes calculating a total extrapolated misstatement. This projected misstatement is based on individual small differences in the EY sample of £7.8k in total. These have been reported as uncorrected misstatement in section above.

Areas of Audit Focus

Significant Risk- Valuation of land and buildings – valued under Existing Use Value (EUV) / Fair Value (FV)

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

The valuation of land and buildings valued on an EUV/FV basis represent material figures within the Council's financial statements. The valuation of these assets is reliant upon expert valuations based on information provided by the Council, which includes a number of judgements and assumptions.

Errors within the judgements, assumptions or information provided to the valuer can have a material impact on the financial statements.

What are our conclusions/Status of work?

In addition to the procedures performed by the local audit team, we engaged our internal valuation specialist to support the audit work relating to the valuation of land and buildings measured on an EUV or FV basis.

We identified an adjustment of £2.3m relating to an asset valued under Existing Use Value (EUV), which results in an overstatement of the asset valuation in 2024/25. Management explained that this adjustment was intended to reverse a downward valuation recognised earlier in the year. However, our internal valuation specialist had reviewed the original valuation prior to this adjustment and was satisfied that it was appropriate. On this basis, we consider that the subsequent adjustment should not be recognised. The difference remains uncorrected.

Our response to the key areas of challenge and professional judgement

- We have performed the following procedures:
- Considered the work performed by the Council's valuers (Wilks, Head & Eve), including the adequacy of the scope of the work performed, their professional capabilities and the results of their work,
- Used lower the testing threshold when selecting valuation samples for PPE to adequately reflect the heightened significant risk in these areas.
- Challenged the assumptions used by the Council's valuer by reference to external evidence and our EY valuation specialists (as necessary – such as significant or unusual movements in valuation, difficult to value specialist assets, etc).
- Tested the Sample key asset information used by the valuers in performing their valuation (e.g. building areas to support valuations based on price per square metre).
- Considered the annual cycle of valuations to ensure that assets have been valued within a 5-year rolling programme as required by the Code for PPE. We also consider if there are any specific changes to assets that have occurred and that these have been communicated to the valuer.
- Reviewed assets not subject to valuation in 2024/25 to confirm that the remaining asset base is not materially misstated.
- Considered changes to useful economic lives as a result of the most recent valuation.
- Tested accounting entries have been correctly processed in the financial statements.
- Increased professional scepticism to be maintained while performing the aforementioned procedures to critically assess the reliability and sufficiency of audit evidence.

Areas of Audit Focus

Significant Risk- Valuation of investment property – valued under Existing Use Value (EUV) / Fair Value (FV)

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

The valuation of investment properties represent material figures within the Council's financial statements. The valuation of these assets is reliant upon expert valuations based on information provided by the Council, which includes a number of judgements and assumptions.

Errors within the judgements, assumptions or information provided to the valuer can have a material impact on the financial statements.

What are our conclusions/Status of work?

In addition to the procedures performed by the local audit team, we engaged our internal valuation specialist to support the audit work relating to the valuation of investments properties measured on an EUV or FV basis.

As noted above, we identified a judgemental misstatement of £1.2m during our asset valuation testing. The asset has been reviewed by our internal specialist and falls out of acceptable range by £1.2m resulting in overstatement of asset valuation in 2024/25. The variance primarily arises from differences in the yield applied, which is a key assumption in determining Existing Use Value (EUV) / Fair Value (FV). The difference remains uncorrected.

Our response to the key areas of challenge and professional judgement

- We have performed the following procedures:
- Considered the work performed by the Council's valuers (Wilks, Head & Eve), including the adequacy of the scope of the work performed, their professional capabilities and the results of their work,
- Used lower testing thresholds when selecting valuation samples for Investment Property to adequately reflect the heightened significant risk in these areas.
- Challenged the assumptions used by the Council's valuer by reference to external evidence and our EY valuation specialists (as necessary – such as significant or unusual movements in valuation, difficult to value specialist assets, etc).
- Tested a sample of key asset information used by the valuers in performing their valuation (e.g. Comparable properties, market research).
- Considered that all assets classified as investment property are valued annually as per CIPFA Guidance.
- Considered changes to useful economic lives as a result of the most recent valuation.
- Tested accounting entries have been correctly processed in the financial statements.
- Increased professional scepticism to be maintained while performing the aforementioned procedures to critically assess the reliability and sufficiency of audit evidence.

Areas of Audit Focus

Significant Risk- Valuation of land and buildings in property, plant and equipment (PPE) under Depreciated Replacement Cost (DRC)

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

In the prior year, we classified this risk as inherent, given the limited degree of estimation and judgment involved. However, as a result of our audit procedures from the prior year, we identified instances of material value where valuation specialists utilised outdated information for asset valuation.

Errors within the judgements, assumptions or information provided to the valuer can have a material impact on the financial statements.

What are our conclusions/Status of work?

In addition to the procedures performed by the local audit team, we engaged our internal valuation specialist to support the audit work relating to the valuation of land and buildings measured on a DRC basis.

Based on the audit procedures performed, no material misstatements were identified in respect of the valuation of assets within scope.

Our response to the key areas of challenge and professional judgement

- We have performed the following procedures:
- Considered the work performed by the Council's valuers (Wilks, Head & Eve), including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- Challenged the assumptions used by the Council's valuer by reference to external evidence and our EY valuation specialists (as necessary – such as significant or unusual movements in valuation, difficult to value specialist assets, etc.)
- Tested the sample testing key asset information used by the valuers in performing their valuation (e.g. floor plans to support valuations based on price per square metre);
- Considered the annual cycle of valuations to ensure that assets have been valued within a 5-year rolling programme as required by the Code for PPE. We have also considered if there are any specific changes to assets that have occurred and that these have been communicated to the valuer;
- Considered changes to useful economic lives as a result of the most recent valuation; and
- Tested accounting entries have been correctly processed in the financial statements.
- Reviewed assets not subject to valuation in 2024/25 to confirm that the remaining asset base is not materially misstated

Areas of Audit Focus

Risk of material misstatement (ROMM)- Pension Liability Valuation

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

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

The Council's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. In the audited financial statements of 2023/24, the Council has reported a change from a net asset position to a net liability (£73.5m asset in 2022/23 to a £14.3m liability in 2023/24).

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

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

It is considered as a ROMM (inherent risk) because of the complexity and estimation involved, but it may not give rise to the level of significant risk that requires heightened scrutiny or special audit consideration or warrant additional audit procedures beyond the standard ones.

What are our conclusions/Status of work?

In response to the requirements of ISA540, the auditing standard on accounting estimates, we based our audit approach on procedures to evaluate management's process. The standard requires auditors to test the method of measurement of accounting estimates to determine whether the model is appropriately designed, consistently applied and mathematically accurate, and that the integrity of the assumptions and the data has been maintained in applying the model. Neither we, nor PWC as consulting actuaries commissioned by the NAO for all local government sector audits, are able to access the detailed models of the actuaries in order to evidence these requirements. Therefore, we undertook further procedures to create an auditor's estimate, to gain assurance.

Our response to the key areas of challenge and professional judgement

We have performed the following procedures:

- Liaised with the auditors of Wandsworth Pension Fund, to obtain assurances over the information supplied to the actuary in relation to the Council
- Assessed the work of the pension fund actuary, Barnett Waddingham including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by the National Audit Office for all local government sector auditors, and considering any relevant reviews by the EY actuarial team
- Evaluated the reasonableness of the Pension Fund actuary's calculations by comparing them to the outputs of our own auditor's specialist's model; and
- Reviewed and tested the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.
- Considered outturn information available at the time we undertake our work after production of the Council's draft financial statements, for example the year-end actual valuation of pension fund assets. We will use this to inform our assessment of the accuracy of estimated information included in the financial statements and whether any adjustments are required

Areas of Audit Focus

Risk of material misstatement- Pension Liability Valuation (cont'd)

What are our conclusions/Status of work?

We engaged our internal pensions specialists to support the audit work relating to the valuation of the Council's pension liability, including the roll-forward of liabilities. We have received the final memorandum from the EY pensions specialist, and no material differences were noted.

In response to our IAS 19 audit letters:

The Wandsworth Pension Fund auditors reported an uncorrected understatement of £1.69 million in the Fund's investment asset valuation. This arose due to an updated valuation becoming available after the financial statements were prepared, which was not reflected in the submission to the actuary. The Council's share of the Fund is approximately 26.15%, resulting in an estimated impact of £0.442 million on the Council's pension liability. This is not material to the Council's financial statements.

We have concluded that the uncorrected misstatement reported by Wandsworth Pension Fund auditors does not impact our audit conclusion on the Council's pension liability.

Areas of Audit Focus

Risk of material misstatement (ROMM)- Application of IFRS 16

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

Application of IFRS 16 (ROMM)

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

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

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

The Council performed an initial impact assessment in 2024/25 and expected to recognise a right of use asset of £13.2 million which is material to our responsibilities. We have therefore included the first-time implementation of new accounting standard - IFRS 16 as a ROMM due to the complexity of implementation, lack of historical data, changes in accounting policies, reliance on judgment and estimation, potential training gaps, regulatory scrutiny, and the challenges associated with transition adjustments. These factors collectively increase the likelihood of material misstatement in the financial statements; However, it may not give rise to the level of significant risk that requires heightened scrutiny or special audit consideration or warrant additional audit procedures beyond the standard ones.

Our response to the key areas of challenge and professional judgement

We have performed the following procedures:

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

Areas of Audit Focus

Risk of material misstatement- Application of IFRS 16 (cont'd)

What are our conclusions/Status of work?

Our audit work in relation to the Council's transition to IFRS 16 - Leases is complete. Based on the audit procedures performed, all adjustments identified in relation to leases calculation were communicated to management and have been fully corrected within the financial statements. The council also included the mandatory IFRS 16 transition disclosures appropriately in the in updated statement of accounts. No material misstatements were identified in application of IFRS 16.



03 Value for Money

Value for Money

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

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

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

Risk assessment and status of our work

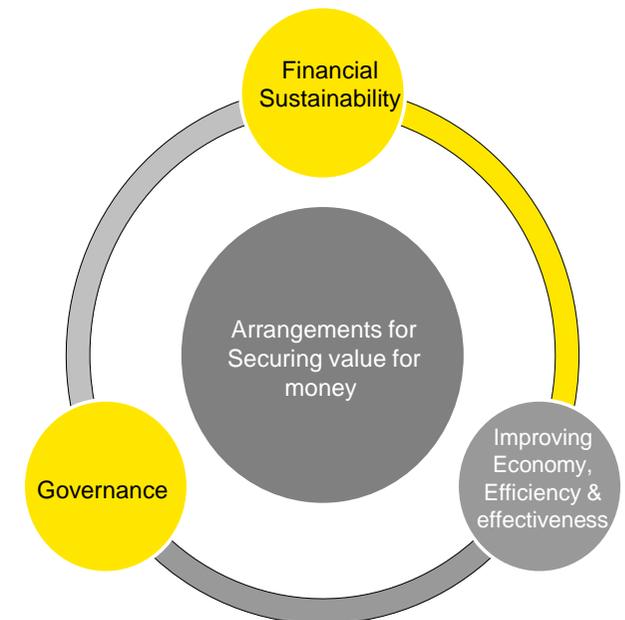
We are required to consider whether the Council has made 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.

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

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

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

From the work completed in 2024/25 we have not identified any risks of significant weaknesses in arrangements and therefore have no matters to report by exception in our audit report. Whilst we are not reporting matters by exception in 2024/25 we would draw attention to the Council's increasingly challenging funding position over the life of the current Medium Term Financial Strategy. We reported our draft commentary in advance of the 30 November deadline and this will also be a key area of focus for us in 2025/26.





04 Audit Report

Audit Report – 2024/25

Qualified audit report

Qualified Audit Report 2024/25

Our opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LONDON BOROUGH OF RICHMOND UPON THAMES

Qualified Opinion

We have audited the financial statements of London Borough of Richmond upon Thames ('the Council') and its subsidiaries (the 'Group') for the year ended 31 March 2025. The financial statements comprise the:

Council and Group Movement in Reserves Statement,
Council and Group Comprehensive Income and Expenditure Statement,
Council and Group Balance Sheet,
Council and Group Cash Flow Statement
the related notes 1 to 49 including material accounting policy information and including the Expenditure and Funding Analysis.
Collection Fund and the related note 1

In our opinion, except for the effects of the matters described in the Basis for qualified opinion section, the financial statements:

- give a true and fair view of the financial position of London Borough of Richmond upon Thames and the Group as at 31 March 2025 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014 (as amended).

Basis for disclaimer of opinion

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

As a result of the disclaimers of opinion on the financial statements for the years ended 31 March 2023 and 31 March 2024, we do not have sufficient appropriate audit evidence over:

the classification of reserves between useable and unusable including:

- General Fund
- Earmarked Reserves
- Capital receipts
- Capital grants and contributions unapplied
- Revaluation reserve
- Capital adjustment account
- Financial instrument adjustment account
- Deferred capital receipts reserve

Our inability to audit the classification is a consequence of the disclaimer of opinion on the reserve balances as at 31 March 2023. We have obtained assurance over the in year movements in reserves for the year ended 31 March 2025 and the comparative year.

Audit Report – 2024/25 (cont'd)

Qualified Audit Report 2024/25

Our opinion on the financial statements

Our opinion on the current period's financial statements is also modified because of the possible effect of this matter on the comparability of the current period's figures and the corresponding figures.

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Council and Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Code of Audit Practice 2024, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

The audits of the financial statements for the years ended 31 March 2023 and 31 March 2024 for London Borough of Richmond upon Thames were not completed for the reasons set out in the disclaimers of opinion on those financial statements dated 4th December 2024 and 25th February 2025 respectively.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Executive Director of Finance's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and the Council's ability to continue as a going concern for a period through to 31 March 2027.

Our responsibilities and the responsibilities of the Executive Director of Finance with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Council's and Group's ability to continue as a going concern.

Other information

The other information comprises the information included in the Statement of Accounts 2024/25, other than the financial statements and our auditor's report thereon. The Executive Director of Finance is responsible for the other information contained within the Statement of Accounts 2024/25.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Audit Report – 2024/25 (cont'd)

Qualified Audit Report 2024/25

Our opinion on the financial statements

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Group and the Council
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 (as amended)
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014 (as amended)
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 (as amended)
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 (as amended)

- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014 (as amended)
- we are not satisfied that the Group and the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2025.

We have nothing to report in these respects.

Responsibility of the Executive Director of Finance

As explained more fully in the Statement of Responsibilities set out on page 10, the Executive Director of Finance is responsible for the preparation of the Statement of Accounts, which includes the Group and Council financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, for being satisfied that they give a true and fair view and for such internal control as the Executive Director of Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Audit Report – 2024/25 (cont'd)

Qualified Audit Report 2024/25

Our opinion on the financial statements

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and Council and determined that the most significant are:

- Local Government Act 1972,
- School Standards and Framework Act 1998,
- Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992)
- Education Act 2002 and school Standards and Framework Act 1998 (England),
- Local Government Act 2003,
- The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 as amended in 2018, 2020, and 2022,
- National Health Service Act 2006,
- Planning Act 2008 and the Community Infrastructure Levy Regulations 2010 (SI 2010/948),
- Business Rate Supplements Act 2009
- The Local Audit and Accountability Act 2014 (as amended), and
- The Accounts and Audit Regulations 2015.

In addition, the Group and the Council has to comply with laws and regulations in the areas of anti-bribery and corruption, data protection, employment Legislation, tax Legislation, general power of competence, procurement and health & safety.

Audit Report – 2024/25 (cont'd)

Qualified Audit Report 2024/25

Our opinion on the financial statements

We understood how London Borough of Richmond upon Thames is complying with those frameworks by understanding the incentive, opportunities and motives for non-compliance, including inquiring of management, the head of internal audit, those charged with governance, and the monitoring officer and obtaining and reading documentation relating to the procedures in place to identify, evaluate and comply with laws and regulations, and whether they are aware of instances of non-compliance. We corroborated this through our reading of the Group and the Council's committee minutes, through enquiry of employees to confirm Group and the Council policies, and through the inspection of employee handbooks and other information. Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures had a focus on compliance with the accounting framework through obtaining sufficient audit evidence in line with the level of risk identified and with relevant legislation.

We assessed the susceptibility of the Group and the Council's financial statements to material misstatement, including how fraud might occur by understanding the potential incentives and pressures for management to manipulate the financial statements, and performed procedures to understand the areas in which this would most likely arise. Based on our risk assessment procedures, we identified inappropriate capitalisation of revenue expenditure and management override of controls to be our fraud risks.

To address our fraud risk of inappropriate capitalisation of revenue expenditure we tested the Group and the Council's capitalised expenditure to ensure the capitalisation criteria were properly met and the expenditure was genuine.

To address our fraud risk of management override of controls, we tested specific journal entries identified by applying risk criteria to the entire population of journals. For each journal selected, we tested specific transactions back to source documentation to confirm that the journals were authorised and accounted for appropriately.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

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

We have undertaken our review in accordance with the Code of Audit Practice 2024, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General in November 2024, as to whether London Borough of Richmond upon Thames had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness.

Audit Report – 2024/25 (cont'd)

Qualified Audit Report 2024/25

Our opinion on the financial statements

The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether London Borough of Richmond upon Thames put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2025.

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

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

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

Delay in Certification of the Completion of the Audit

We cannot formally conclude the audit and issue an audit certificate until the NAO as group auditor has confirmed that no further assurances will be required from us as component auditors of London Borough of Richmond upon Thames.

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

Use of our report

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

*Ben Lazarus (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
London
xx February 2026*



05 Audit Differences

Audit Differences

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

Summary of adjusted differences

Corrected Misstatements:

We have identified an understatement of Right of use asset related to Quadrant car park lease of £7.8m due to incorrect rental value used for lease calculation. The impact of on lease liability and expenditure were £8m and £137k. This has been corrected by management.

Further, we have considered it appropriate to bring to your attention due to their nature and significance the following disclosure misstatements:

We have identified the following disclosure misstatements:

- We identified an understatement of £1.7m on the creditor balance in the Financial instrument (Note 19) .This was due to certain creditor balances, which meet the definition of financial assets, not being included in the note. This is a disclosure misstatement only.
- We identified one instances in our testing of Note 34 Exit packages where the severance payment balances were overstated by a total of £4.2k.
- We have identified the following within Note 34 officers' remuneration.
 - For one senior employee they were incorrectly banded within £65,001 to £70,000 instead of £70,001 to £75,000 in the banding table as part of this note.
 - Additionally, for senior employees who were disclosed in the prior year but not included in the current year, a narrative explanation should have been provided to clarify their absence in the current year.

All the above disclosures misstatements have been corrected in the financial statements.

Uncorrected mis-statements above our clearly trivial threshold of £0.5m are mentioned in section 01 above and the impact of those misstatements is detailed in the following page.

Audit Differences (cont'd)

Summary of unadjusted differences

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

	Effect on the current period		Net assets (Decrease)/Increase				Equity Component
	OCI Debit/(Credit)	Income statement Debit/(Credit)	Assets current Debit/(Credit)	Assets non-current Debit/(Credit)	Liabilities current Debit/(Credit)	Liabilities non-current Debit/(Credit)	Debit/(Credit)
Uncorrected misstatements 31 March 2025 (Currency '000)							
Errors							
<u>Known differences:</u>							
➤ Refund of VAT receivable to be recognised as Debtors		(2,046)	2,046				
➤ Understatement in Accrued liabilities due to missing accruals Teachers Pensions and Housing benefits		1,262			(1,262)		
➤ Overstatement in REFCUS due to prior year expenditure recognised in current year		(373)			373		
<u>Judgemental differences:</u>							
➤ Overstatement in asset valuation due to difference in yield percentages	1,295			(1,295)			
➤ Overstatement in asset valuation due to reversal of current year valuation	2,278			(2,278)			
<u>Projected differences:</u>							
➤ Understatement in Debtors due to missing accruals- de minimis threshold		(1,262)	1,262				
➤ Overstatement in Debtors due to recognition of 2025/26 balance		859	(859)				
➤ REFCUS Overstatement - VAT Incorrectly Capitalised		(432)	432				
➤ Overstatement in PPE additions due to recognition of 2023/24 invoices				(741)			741
➤ Understatement in Accrued liabilities due to missing accruals		549			(549)		
➤ Understatement in Income due to recognition of prior year invoices		854					(854)
Balance sheet totals			2,881	(4,314)	(1,438)		(113)
Income effect of uncorrected misstatements (before tax)	3,573	(589)					
Cumulative effect of uncorrected misstatements before turnaround effect	3,573	(589)	2,881	(4,314)	(1,438)		(113)

Audit Differences (cont'd)

Summary of unadjusted differences (Cont'd)

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

	Effect on the current period		Net assets (Decrease)/Increase				Equity Component
	OCI Debit/(Credit)	Income statement Debit/(Credit)	Assets current Debit/(Credit)	Assets non-current Debit/(Credit)	Liabilities current Debit/(Credit)	Liabilities non-current Debit/(Credit)	Debit/(Credit)
Uncorrected misstatements 31 March 2025 (Currency '000)							
Errors							
Turnaround effect. See Note 1 below.							
<u>Known differences:</u>							
➤ Creditors Cut Off. Liability missed in 2023/24		(950)					950
<u>Judgemental differences:</u>							
➤ Potential movement of assets from valuation date to year end date	(736)			736			
Cumulative effect of uncorrected misstatements, after turnaround effect	2,837	(1,539)	2,881	(3,578)	(1,438)		837

There are no amounts that we identified that are individually or in aggregate material to the presentation and disclosures of the consolidated financial statements for the year ended 31 March 2025.

Note 1: turnaround effect is the post-tax impact of uncorrected misstatements related to the prior period, on results of the current period. The turnaround impact of an uncorrected misstatement refers to the potential consequences and effects that the misstatement



06

Assessment of Control Environment

Assessment of Control Environment

Financial controls

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

- i. Significant deficiencies in internal control (including group-wide or at components); and
- ii. our views on the effectiveness of internal control relevant to risks that may affect financial reporting and other risks arising from the entity's business model and the effectiveness of related internal controls. These are provided primarily to help you to fulfil your responsibility under Code Provision 29.

The table below provides an overview of the 'high' 'moderate' and 'low' rated observations we have from the 2024-25 audit (including IT controls) based on the work completed at the time of writing of this report. At the completion of the audit we will issue a formal management letter containing all of the identified points.

	High	Moderate	Low	Total
Open at March 2024	0	3	2	5
Closed during FY24/25	0	1	0	1
New points raised in FY24/25	0	0	0	0
Total open points as at March 2025	0	2	2	4

Key:

-  A weakness which does not seriously detract from the internal control framework. If required, action should be taken within 6-12 months.
-  Matters and/or issues are considered to be of major importance to maintenance of internal control, good corporate governance or best practice for processes. Action should be taken within six months.
-  Matters and/or issues are considered to be fundamental to the mitigation of material risk, maintenance of internal control or good corporate governance. Action should be taken either immediately or within three months.

The matters reported on the next slide are limited to those that we identified during the audit and that we concluded are of sufficient importance to merit being reported to you.

Assessment of Control Environment (cont'd)

Summary of control observations and recommendations

Control observation and impact	Grading			Recommendation	Update in Current year	Management Response
	H	M	L			
<p>Property, Plant and Equipment Classification- (<i>Rolled from PY i.e. 23/24</i>)</p> <p>We observed that certain assets listed in the Fixed Asset Register under the category of "Assets Under Construction" have, in fact, reached completion and should consequently be reclassified as operational Property, Plant and Equipment (PPE). The misclassification of assets in the Fixed Asset Register can lead to subsequent inaccuracies in asset valuation and depreciation charge, as assets categorized as "Assets Under Construction" are not subject to year-end valuation and depreciation which may result in distortion of the depreciation expense and surplus/deficit on asset valuation in the financial statements.</p>		M		<p>We recommend instituting a comprehensive annual review process to ensure that Assets Under Construction and other assets in Fixed Assets Register are accurately categorised.</p>	<p>During the year, we observed instances where asset under construction assets were incorrectly recorded as either disposed or operational. This mis-classification can lead to inaccurate asset valuation and depreciation charges. Additionally; incorrect disposal entries may result in misstated gains or losses in other operating expenditure</p>	<p>This continues to be an area of focus for management and work had commenced to improve processes for the production of the 25/26 accounts.</p>
<p>Property, Plant and Equipment Additions Cut-off - (<i>Rolled from PY i.e. 23/24</i>)</p> <p>We have identified that for certain assets capitalized as additions during the year, it is challenging to ascertain the specific period to which the cost pertains, thus hindering our ability to confirm that they have been capitalized in the appropriate fiscal year. The timing of asset capitalisation affects the balance sheet and income statement. If costs are capitalized in the wrong period, assets may be overstated or understated in a given fiscal year, leading to inaccurate representation of the financial position. Further, capitalising cost in the incorrect period can have impact on the year depreciation and surplus/deficit on asset valuation.</p>		M		<p>We recommend the establishment of a robust framework for determining proper capitalization of costs to ensure accuracy and consistency in financial reporting.</p>	<p>During FY 24/25 PPE additions testing, we have identified similar instances where the invoices are recorded incorrect period resulting in cut off error.</p>	<p>This continues to be an area of focus for management and work had commenced to improve processes for the production of the 25/26 accounts.</p>

Assessment of Control Environment (cont'd)

Summary of control observations and recommendations

Control observation and impact	Grading			Recommendation	Update in Current year	Management Response
	H	M	L			
<p>Related Party Transactions (Rolled from PY i.e; 21/22)</p> <p>Our review of related party transactions revealed that Councillors failed to submit an RPT return to the finance department. To address this, we conducted additional audit procedures, including searches through Companies House and media outlets, to identify any undisclosed relationships that might require disclosure.. The impact of unidentified related parties could be significant and multifaceted. Failure to identify related parties could lead to inaccurate financial statements as transaction many not be recorded or disclosed correctly and results in no-compliance with accounting standards and regulatory requirements.</p>			L	We recommend that the Council enhances its procedures regarding RPTs in future periods to ensure that returns are obtained from all relevant individuals.	During FY 24/25 RPT testing we noted that 2 councillors failed to submit an RPT return. We note that this has improved from 4 in PY.	The non return of RPT's is a very small percentage. Regardless, work has commenced to improve processes for the production of the 25/26 accounts.
<p>Infrastructure Assets- (Rolled from PY i.e. 21/22)</p> <p>Management will need to ensure they have sufficient infrastructure and accounting records to demonstrate compliance with Code requirements upon the expiration of the Code adaption. Insufficient accounting records can lead to inaccurate infrastructure asset balance and related depreciation can lead to incorrect financial reporting, affecting the overall accuracy of financial statements</p>			L	We recommend that management should maintain a complete and accurate records of infrastructure assets to ensure compliance with code	During FY 24/25 we were not able to verify the existence of infrastructure assets due to insufficient records held in the Fixed Asset Register	This continues to be an area of focus for management, subject to further guidance being received from Government in relation to the override in this area.

Grading	Definition
High	Matters and/or issues considered to be fundamental to the mitigation of material risk, maintenance of internal control or good corporate governance. Action should be taken either immediately or within three months.
Moderate	Matters and/or issues considered to be of major importance to maintenance of internal control, good corporate governance or best practice for processes. Action should be taken within six months.
Low	A weakness which does not seriously detract from the internal control framework. If required, action should be taken within 6-12 months.



07

Other Reporting Issues

Other Reporting Issues

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

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

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

Financial information in the London Borough of Richmond upon Thames Statement of Accounts 2024/25 and published with the financial statements was consistent with the audited financial statements.

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

Whole of Government Accounts

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

We have not yet performed the procedures required by the NAO on the Whole of Government Accounts submission. We anticipate that the Council will be under the threshold prescribed by the NAO. We cannot issue our Audit Certificate until these procedures are complete, and the NAO has confirmed no further procedure are required.

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 (the Act) to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Council to consider it or to bring it to the attention of the public (i.e. "a report in the public interest").

We did not identify any issues which required us to issue a report in the public interest.



08

Independence

Independence

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

Relationships

There are no relationships from 01 April 2024 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Services provided by EY

There are no services provided by EY from 01 April 2024 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted.

Independence

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

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

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

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

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

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

	Current Year	Prior Year
	£	£
Scale Fee – Code Work	312,118	286,165
Proposed scale fee variation	TBD Note 2	114,014 Note 1
Total audit	TBC	400,179
Other non-audit services not covered above	-	-
Total non-audit services	0	0
Total fees	TBC	400,179

All fees exclude VAT

(1) As set in our 2023/24 Audit Results Report / Auditor's Annual Report a scale fee variation was submitted to PSAA covering the following areas:

- ISA 315; additional procedures to address the enhanced requirements of revised standard
- ISA 540; work to address standard
- Use of internal specialists to provide assurance over PPE/IP/Pension valuations
- Impact of change in materiality for 2023/24
- Increased FRC Challenge
- Significant Risk: Valuations
- Inherent Risk: Pensions
- Quality and preparation issues leading to extra work
- Consultation process required for the issuing of the disclaimed opinion
- Additional work required on technical accounting issues
- Build back of assurance in 2023/24

We are still awaiting PSAA determination of the proposed scale fee variation of £114,014 for 2023/24. Once PSAA have determined the final fee variation, we will confirm the amount in our subsequent reporting to you.

(2) The 2024/25 work is complete. We will finalise the fee to submit to PSAA. We anticipate that any scale fee variation for FY 2024/25 will be consistent with the categories of 2024/25, as detailed in Note 1 above.

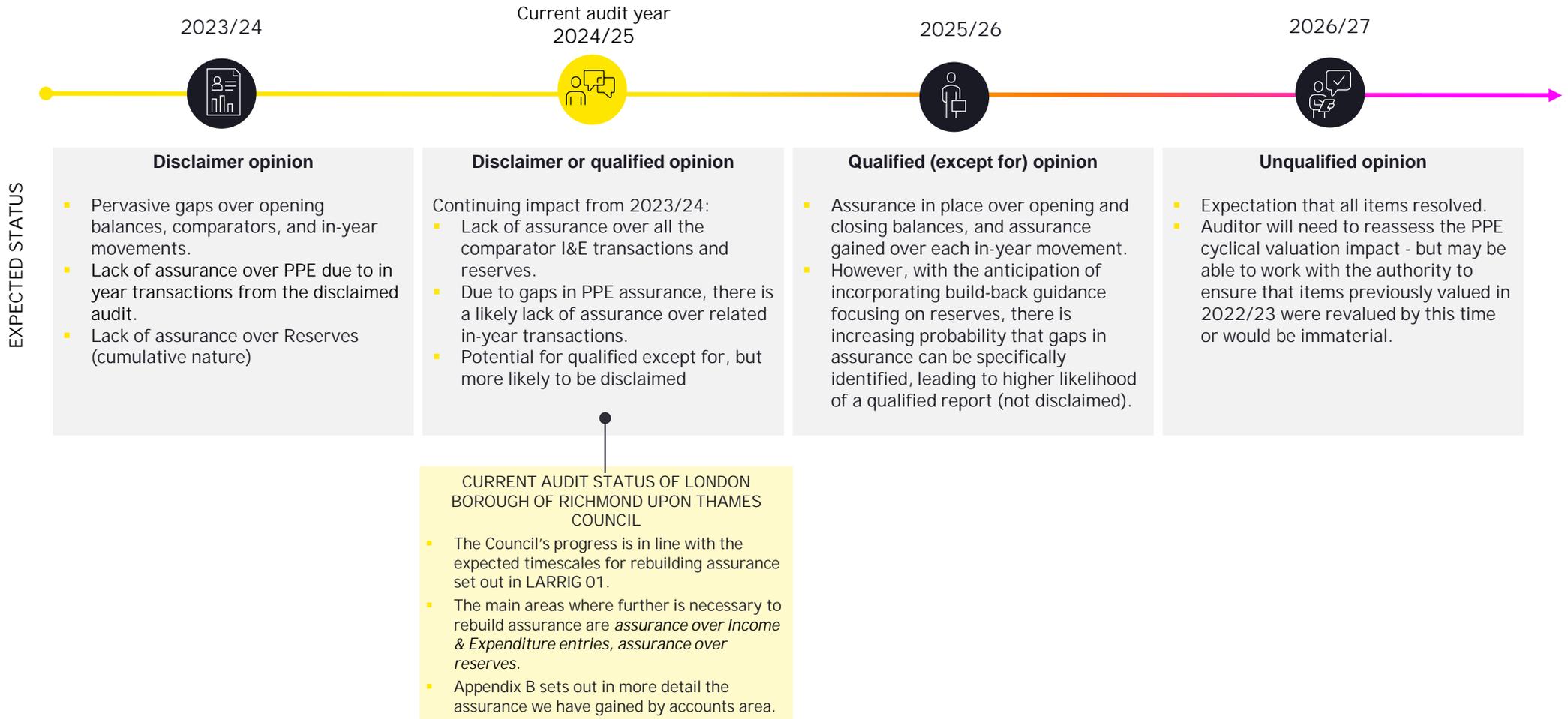


09 Appendices

Appendix A – Progress to full assurance

Progress to full assurance

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



Appendix B – Updated summary of assurances

Summary of Assurances

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

Account area	Assurance rating 2023/24	Assurance rating 2024/25	Summary of work performed
Property, Plant and Equipment ('PPE')	Substantial	Substantial	We completed all procedures in this area and obtained substantial assurance as we will have obtained assurance over the closing balance at 31 March 2025.
Investment Property	Substantial	Substantial	We completed all procedures in this area and obtained substantial assurance as we will have obtained assurance over the closing balance at 31 March 2025.
Long Term Investments	Substantial	Substantial	We completed all procedures in this area and obtained substantial assurance as we will have obtained assurance over the closing balance at 31 March 2025.
Long Term Debtors	Substantial	Substantial	We completed all procedures in this area and obtained substantial assurance as we will have obtained assurance over the closing balance at 31 March 2025.
Short Term Investments	Substantial	Substantial	We completed all procedures in this area and obtained substantial assurance as we will have obtained assurance over the closing balance at 31 March 2025.
Short Term Debtors	Substantial	Substantial	We completed all procedures in this area and obtained substantial assurance as we will have obtained assurance over the closing balance at 31 March 2025.
Cash and Cash equivalents	Substantial	Substantial	We completed all procedures in this area and obtained substantial assurance as we will have obtained assurance over the closing balance at 31 March 2025.
Creditors (short and long term)	Substantial	Substantial	We completed all procedures in this area and obtained substantial assurance as we will have obtained assurance over the closing balance at 31 March 2025.

Appendix B – Updated summary of assurances

Summary of Assurances (continued)

Account area	Assurance rating 2023/24	Assurance rating 2024/25	Summary of work performed
Borrowings (short and long term)	Substantial	Substantial	We completed all procedures in this area and obtained substantial assurance as we will have obtained assurance over the closing balance at 31 March 2025.
Provisions (short and long term)	Substantial	Substantial	We completed all procedures in this area and obtained substantial assurance as we will have obtained assurance over the closing balance at 31 March 2025.
Grants received in advance (Capital and revenue)	Partial	Substantial	We completed all procedures in this area and obtained substantial assurance as we will have obtained assurance over the closing balance at 31 March 2025.
Local Government Pension Scheme Liability and other long- term liabilities	Substantial	Substantial	We completed all procedures in this area and obtained substantial assurance as we will have obtained assurance over the closing balance at 31 March 2025.
Reserves	Limited	Limited	We completed our work on the movements in reserves in 2022/23 and 2023/24 but, until we have completed our work programme on the rebuilding of assurance following the disclaimed audit opinions, we are unable to obtain assurance over the useable and unusable reserves of the Council reported in the financial statements.
Comprehensive Income and Expenditure Statement Excl Employee Cost	Partial	Substantial	We completed our planned testing on the Comprehensive Income and Expenditure Statement in 2023/24 and 2024/25
Employee Costs	Substantial	Substantial	We completed all procedures in this area and obtained substantial assurance as we will have obtained assurance over the closing balance at 31 March 2025.
Collection Fund Statement	Substantial	Substantial	We completed all procedures in this area and obtained substantial assurance as we will have obtained assurance over the closing balance at 31 March 2025.

Appendix B – Updated summary of assurances

Summary of Assurances (continued)

Account area	Assurance rating 2023/24	Assurance rating 2024/25	Summary of work performed
All Other Disclosures incl Group	Partial	Substantial	We completed all procedures in this area and obtained substantial assurance as we will have obtained assurance over the closing balance at 31 March 2025.
Group- Orleans House Trust	Substantial	Substantial	We completed all remaining procedures in this area and obtained substantial assurance as we will have obtained assurance over the closing balance at 31 March 2025.
Group – Achieving for Children	Partial	Substantial	We completed all procedures in this area and obtained substantial assurance as we will have obtained assurance over the closing balance at 31 March 2025.

As detailed on page 5 of this report, we issued a qualified opinion as per section 4 of this report in 2024/25 compared to the disclaimed opinion which was issued in 2023/24. In the 2023/24 financial statements no assurance was obtained over the opening balances and comparatives, being the disclaimed 2022/23 balances for which limited procedures were performed for that financial year. In contrast, the opening balances in the 2024/25 financial statements reflect the closing balances contained within the 2023/24 financial statements, for which assurance obtained is detailed above. It is this change in assurance over opening balances and the substantial rebuild of assurance that has occurred over Property, Plant and Equipmentg which has materially driven the anticipated change in audit opinion in 2024/25.

As shown in the table above, in 2024/25 we have also obtained further assurance in relation to the Collection Fund and the Cash Flow Statement as well as Property, Plant and Equipment as well as work on the Comprehensive Income and Expenditure Statement which has assisted in the move to a a qualified opinion in 2024/25.

Appendix C – Required communications with those charged with governance

Required communications with those charged with governance

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

Our Reporting to you

Required communications	What is reported?	When and where
Terms of engagement	Confirmation by the Audit, Standards and Statutory Accounts committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	PSAA Terms of Engagement
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Audit Planning Report presented at the Audit, Standards and Statutory Accounts Committee meeting on 24 April 2025
Planning and audit approach	<p>Communication of:</p> <ul style="list-style-type: none"> The planned scope and timing of the audit Any limitations on the planned work to be undertaken The planned use of internal audit The significant risks identified <p>When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.</p>	Audit Planning Report presented at the Audit, Standards and Statutory Accounts Committee meeting on 24 April 2025
Significant findings from the audit	<ul style="list-style-type: none"> Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures Significant difficulties, if any, encountered during the audit Significant matters, if any, arising from the audit that were discussed with management Written representations that we are seeking Expected modifications to the audit report Other matters if any, significant to the oversight of the financial reporting process 	<p>This Draft Audit results report presented at the Audit, Standards and Statutory Accounts Committee meeting on 24 November 2025</p> <p>Final Audit Results Report circulated at the conclusion of the audit on 19 February</p>
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> Whether the events or conditions constitute a material uncertainty related to going concern Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements The appropriateness of related disclosures in the financial statements 	<p>This Draft Audit results report presented at the Audit, Standards and Statutory Accounts Committee meeting on 24 November 2025</p> <p>Final Audit Results Report circulated at the conclusion of the audit on 19 February 2026</p>

Appendix C – Required communications with those charged with governance (cont'd)

		Our Reporting to you
Required communications	What is reported?	When and where
Misstatements	<ul style="list-style-type: none"> ▪ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation ▪ The effect of uncorrected misstatements related to prior periods ▪ A request that any uncorrected misstatement be corrected ▪ Material misstatements corrected by management 	<p>This Draft Audit results report presented at the Audit, Standards and Statutory Accounts Committee meeting on 24 November 2025 Final Audit Results Report circulated at the conclusion of the audit on 19 February 2026</p>
Fraud	<ul style="list-style-type: none"> ▪ Enquiries of the Audit, Standards and Statutory Accounts committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▪ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▪ Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving: <ul style="list-style-type: none"> ▪ Management; ▪ Employees who have significant roles in internal control; or ▪ Others where the fraud results in a material misstatement in the financial statements. ▪ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ▪ Matters, if any, to communicate regarding management’s process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud ▪ Any other matters related to fraud, relevant to Audit, Standards and Statutory Accounts Committee responsibility. 	<p>This Draft Audit results report presented at the Audit, Standards and Statutory Accounts Committee meeting on 24 November 2025 Final Audit Results Report circulated at the conclusion of the audit on 19 February 2026</p>
Related parties	<p>Significant matters arising during the audit in connection with the entity’s related parties including, when applicable:</p> <ul style="list-style-type: none"> ▪ Non-disclosure by management ▪ Inappropriate authorisation and approval of transactions ▪ Disagreement over disclosures ▪ Non-compliance with laws and regulations ▪ Difficulty in identifying the party that ultimately controls the entity 	<p>This Draft Audit results report presented at the Audit, Standards and Statutory Accounts Committee meeting on 24 November 2025 Final Audit Results Report circulated at the conclusion of the audit on 19 February 2026</p>

Appendix C – Required communications with those charged with governance (cont'd)

		Our Reporting to you
Required communications	What is reported?	When and where
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, integrity, objectivity and independence.</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▪ The principal threats ▪ Safeguards adopted and their effectiveness ▪ An overall assessment of threats and safeguards ▪ Information about the general policies and process within the firm to maintain objectivity and independence <p>Communications whenever significant judgements are made about threats to integrity, objectivity and independence and the appropriateness of safeguards put in place.</p>	<p>This Draft Audit results report presented at the Audit, Standards and Statutory Accounts Committee meeting on 24 November 2025 Final Audit Results Report circulated at the conclusion of the audit on 19 February 2026</p>
External confirmations	<ul style="list-style-type: none"> ▪ Management's refusal for us to request confirmations ▪ Inability to obtain relevant and reliable audit evidence from other procedures. 	<p>This Draft Audit results report presented at the Audit, Standards and Statutory Accounts Committee meeting on 24 November 2025 Final Audit Results Report circulated at the conclusion of the audit on 19 February 2026</p>
Consideration of laws and regulations	<ul style="list-style-type: none"> ▪ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur ▪ Enquiry of the Audit, Standards and Statutory Accounts committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit, Standards and Statutory Accounts committee may be aware of 	<p>This Draft Audit results report presented at the Audit, Standards and Statutory Accounts Committee meeting on 24 November 2025 Final Audit Results Report circulated at the conclusion of the audit on 19 February 2026</p>
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> ▪ Significant deficiencies in internal controls identified during the audit. 	<p>This Draft Audit results report presented at the Audit, Standards and Statutory Accounts Committee meeting on 24 November 2025 Final Audit Results Report circulated at the conclusion of the audit on 19 February 2026</p>

Appendix C – Required communications with those charged with governance (cont'd)

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

Appendix D – Outstanding matters

Outstanding matters

There are no outstanding audit matters at the conclusion of the audit. As explained at section 7 we have not yet performed the procedures required by the NAO on the Whole of Government Accounts submission. We anticipate that the Council will be under the threshold prescribed by the NAO. We cannot issue our Audit Certificate until these procedures are complete, and the NAO has confirmed no further procedure are required.

Appendix E – Regulatory update

The English Devolution and Community Empowerment Bill – Audit Measures

Background

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

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

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

Part 4 of the Bill - Reforming local audit

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

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

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

Appendix F – Management representation letter

Management representation letter

Management Rep Letter

[To be prepared on the entity's letterhead]

[Date]

Ernst & Young

[Address]

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

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

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

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with, for the Group and the parent Authority, the Accounts and Audit Regulations 2015 and the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.

2. We acknowledge, as members of management of the Group and Authority, our responsibility for the fair presentation of the consolidated and parent Authority financial statements. We believe the consolidated and parent Authority financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Group and parent Authority in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, and are free of material misstatements, including omissions. We have approved the financial statements.

3. The material accounting policy information adopted in the preparation of the Group and Authority financial statements are appropriately described in the Group and Authority financial statements.

4. As members of management of the Group and Authority, we believe that the Group and Authority have a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 for the Group and for the Authority that are free from material misstatement, whether due to fraud or error.

5. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the consolidated and parent Authority financial statements taken as a whole. We have not corrected these differences because [specify reasons for not correcting misstatement].

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6. We confirm the Group and Authority does not have securities (debt or equity) listed on a recognized exchange.

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

1. We acknowledge that we are responsible to determine that the Group and Authority's business activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws or regulations, including fraud.

2. We acknowledge that we are responsible for the design, implementation and maintenance of a system of internal control to prevent and detect fraud and that we believe we have appropriately fulfilled those responsibilities.

3. We have disclosed to you the results of our assessment of the risk that the consolidated and parent Authority financial statements may be materially misstated as a result of fraud.

We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud, that may have affected the Group or Authority (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:

- Involving financial improprieties
- Related to laws or regulations that have a direct effect on the determination of material amounts and disclosures in the consolidated and parent Authority financial statements
- Related to laws or regulations that have an indirect effect on amounts and disclosures in the consolidated and parent Authority financial statements, but compliance with which may be fundamental to the operations of the Group and Authority's business, its ability to continue in business, or to avoid material penalties
- Involving management, or employees who have significant roles in internal control, or others

• In relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:

- Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- Additional information that you have requested from us for the purpose of the audit; and
- Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

2. We have disclosed to you the use of all applications or tools using artificial intelligence, including generative artificial intelligence, that are reasonably likely to have a direct or indirect material effect on the consolidated and parent Authority financial statements

3. All material transactions have been recorded in the accounting records and are reflected in the consolidated and parent Authority financial statements

4. We have made available to you all minutes of the meetings of shareholders, directors and committees of directors (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the [period] to the most recent meeting on the following date: [list date].

5. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Group and Authority's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the period end. These transactions have been appropriately accounted for and disclosed in the consolidated and parent Authority financial statements.

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6. We believe that the methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that is in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.

7. We have disclosed to you, and the Group and Authority has complied with, all aspects of contractual agreements that could have a material effect on the consolidated and parent Authority financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

8. From the date of our last management representation letter dated 24 February 2025 through the date of this letter we have disclosed to you, to the extent that we are aware, any (1) unauthorised access to our information technology systems that either occurred or is reasonably likely to have occurred, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorised access to our information technology systems is reasonably likely to have a material effect on the consolidated and parent Authority financial statements, in each case or in the aggregate, and (2) ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount.

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the consolidated and parent Authority financial statements.

2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.

3. We have recorded and/or disclosed, as appropriate, all liabilities related to litigation and claims, both actual and contingent.

E. Going Concern

1. Note 1.2 to the consolidated and parent Authority financial statements discloses all the matters of which we are aware that are relevant to the Group and Authority's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

F. Subsequent Events

1. There have been no events subsequent to period end which require adjustment of or disclosure in the consolidated and parent Authority financial statements or notes thereto.

G. Group audits

1. There are no significant restrictions on our ability to distribute the retained profits of the Group because of statutory, contractual, exchange control or other restrictions other than those indicated in the Group financial statements.

2. Necessary adjustments have been made to eliminate all material intra-group unrealised profits on transactions amongst parent Authority, subsidiary undertakings and associated undertakings.

H. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the information contained in the Narrative Statement and the Annual Governance Statement

2. We confirm that the content contained within the other information is consistent with the financial statements.

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I. Climate-related matters

1. We confirm that to the best of our knowledge all information that is relevant to the recognition, measurement, presentation and disclosure of climate-related matters has been considered, including the impact resulting from the commitments made by the Group and Authority, and reflected in the consolidated and parent financial statements.
2. The key assumptions used in preparing the consolidated and parent financial statements are, to the extent allowable under the requirements of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, aligned with the statements we have made in the other information or other public communications made by us (see Section H).

J. Ownership of Assets

1. Except for assets recognised as right-of use assets in accordance with IFRS 16 Leases, the Group and Authority has satisfactory title to all assets appearing in the balance sheet, and there are no liens or encumbrances on the Group and Authority's assets, nor has any asset been pledged as collateral. All assets to which the Group and Authority has satisfactory title appear in the balance sheet.

K. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the valuation of land, buildings and investment properties, IAS 19 pension liabilities and the NNDR appeals provision and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the consolidated and parent Authority financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

L. Estimates

1. We confirm that the significant judgments made in making the estimates of the valuation of land, buildings and investment properties, IAS pension liabilities and the NNDR appeals provision have taken into account all relevant information of which we are aware.
2. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the estimates of the valuation of land, buildings and investment properties, IAS pension liabilities and the NNDR appeals provision.
3. We confirm that the significant assumptions used in making the [estimates of the valuation of land, buildings and investment properties, IAS pension liabilities and the NNDR appeals provision appropriately reflect our intent and ability to carry out estimates of the valuation of land, buildings and investment properties, IAS pension liabilities and the NNDR appeals provision on behalf of the entity.
4. We confirm that the disclosures made in the consolidated and parent Authority financial statements with respect to the accounting estimates, including those describing estimation uncertainty are complete and are reasonable in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.

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5. We confirm that appropriate specialised skills or expertise has been applied in making the estimates of the valuation of land, buildings and investment properties, IAS pension liabilities and the NNDR appeals provision.

6. We confirm that no adjustments are required to the accounting estimates and disclosures in the consolidated and parent Authority financial statements.

M. Retirement benefits

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

Yours faithfully,

Fenella Merry – Executive Director of Finance

Councillor Richard Bennett - Chairman of the Audit, Standards and Statutory Accounts Committee

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