

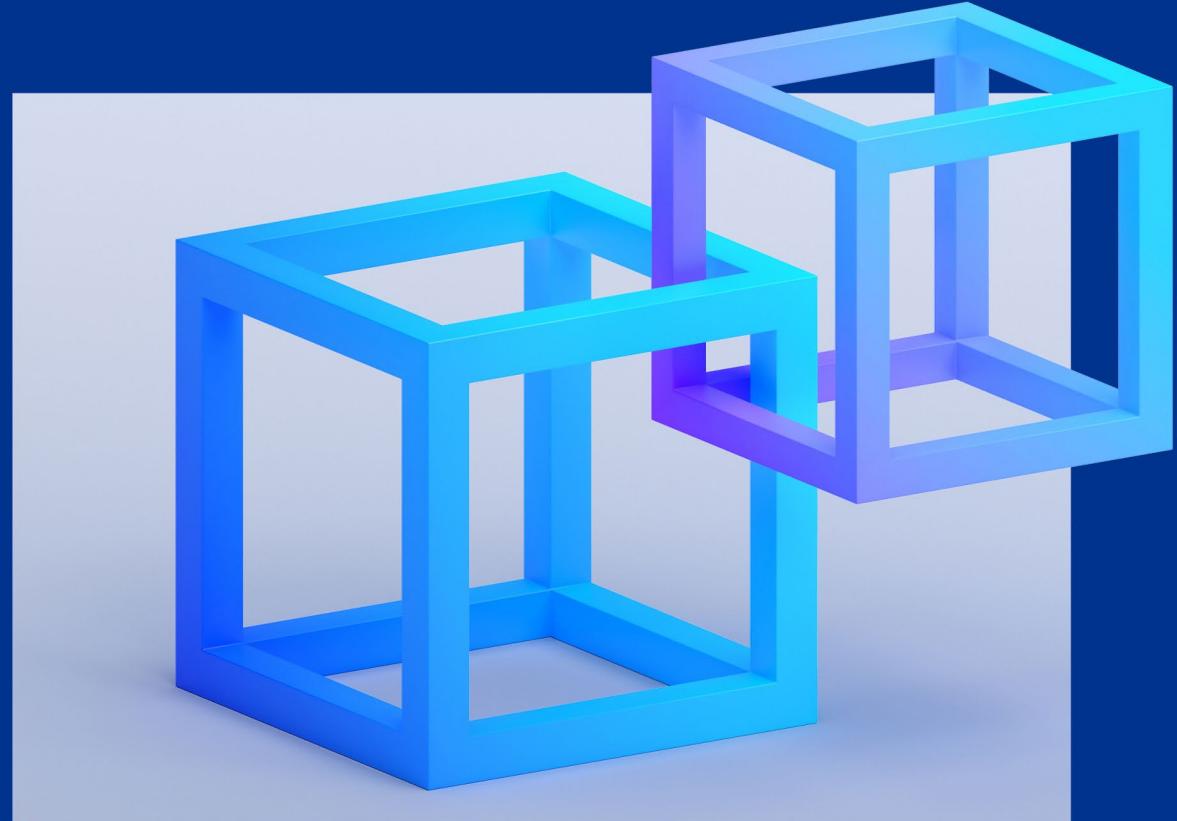


Uttlesford District Council

Progress Report to the Audit and Standards
Committee

Progress report for the year ended 31 March 2025

November 2025



Important notice

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

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

Purpose of this report

This Report has been prepared in connection with our audit of the consolidated financial statements of Uttlesford District Council (the 'Council')(and its subsidiaries (the 'Group'), prepared, in accordance with International Financial Reporting Standards ('IFRSs') as adapted Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, as at and for the year ended 31 March 2025.

This Report has been prepared for the Council's Audit and Standards Committee, a sub-group of those charged with governance, in order to communicate matters that are significant to the responsibility of those charged with oversight of the financial reporting process as required by ISAs (UK), and other matters coming to our attention during our audit work that we consider might be of interest, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone (beyond that which we may have as auditors) for this Report, or for the opinions we have formed in respect of this Report.

This report summarises the key issues identified during our audit but does not repeat matters we have previously communicated to you by written communication.

Limitations on work performed

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

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

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

Status of our audit

Our audit is not yet complete and matters communicated in this Report may change pending signature of our audit report. We will provide a final report upon the completion of our audit to the February Audit and Standards Committee.

Restrictions on distribution

The report is provided on the basis that it is only for the information of the Audit and Standards Committee of the Council; that it will not be quoted or referred to, in whole or in part, without our prior written consent; and that we accept no responsibility to any third party in relation to it.



Our audit findings to date

Significant audit risks	Page 5-16
Significant audit risks	Our findings
Valuation of Council Dwellings	Our audit work is in progress. Based on the work performed at the stage of writing this report, no audit misstatements have been identified. Noted one control recommendation to bring to your attention on page 25
Valuation of Other Land and Buildings	Our audit work is in progress. Based on the work performed at the stage of writing this report, no audit misstatements have been identified. Noted one control recommendation to bring to your attention on page 25
Valuation of investment property	Our work in this area is substantially complete. We have not identified issues in the testing, but note one control recommendation to bring to your attention on page 25
Management override of controls	Our work in this area is substantially complete. We have not identified issues in the testing, but note one control recommendation to bring to your attention on page 25
Expenditure Recognition (completeness)	Our audit work is in progress. Based on the work performed at the stage of writing this report, no issues have been identified.
Valuation of post retirement benefit obligations	Our work in this area is substantially complete. We have not identified issues in the testing, but note one control recommendation to bring to your attention on page 24

Number of Control deficiencies	Page 23-27
Significant control deficiencies	0
Other control deficiencies	8
Prior year control deficiencies remediated	2

Misstatements in respect of Disclosures	Page 17
Misstatement in respect of Disclosures	Our findings (refer to page 22)
Disclosure	<ul style="list-style-type: none"> Grants received in advance Disclosure misstatement Missing Senior Member in the Senior Officer Remuneration Disclosure Note Exit Packages Disclosure misstatement PFI disclosure amendments

Significant risks and Other audit risks



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

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

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

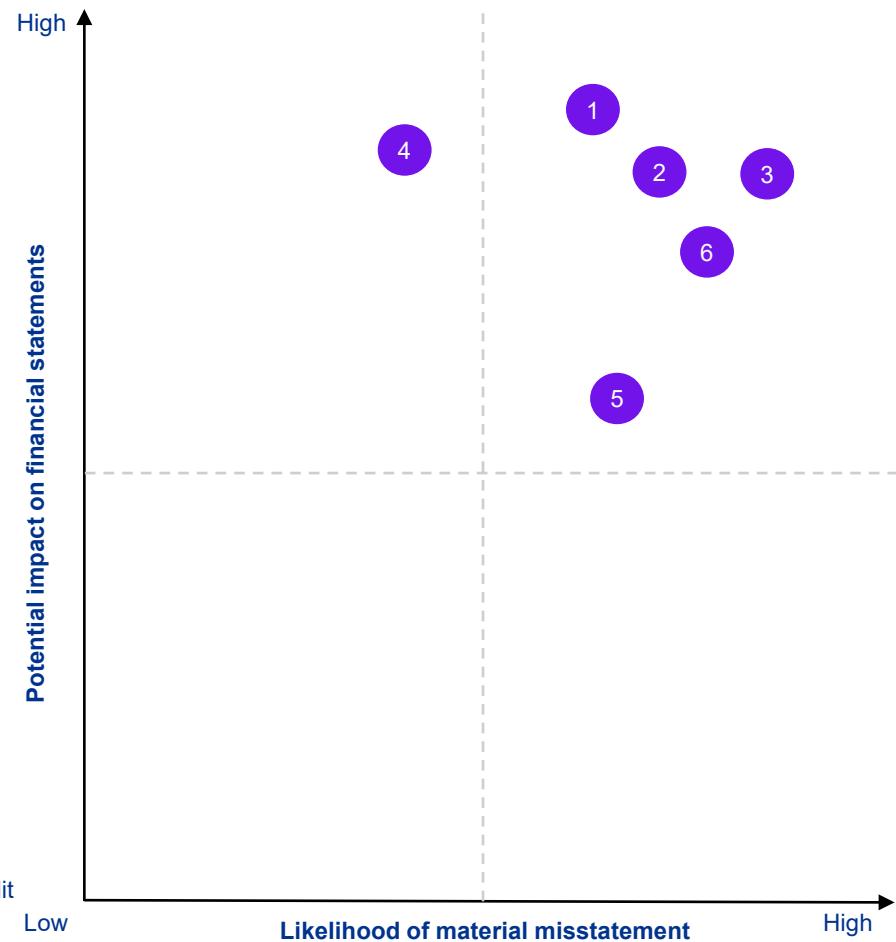
Significant risks

1. Valuation of Council Dwelling
2. Valuation of Other Land and Buildings
3. Valuation of investment property
4. Expenditure Recognition (completeness)
5. Management override of controls
6. Valuation of post retirement benefit obligations

Key:

- ➊ Significant financial statement audit risks
- ➋ Other audit risk

^a A significant risk that auditing standards require us to assess on all audit engagements. Not always included in the graph except where we have also identified an entity-specific risk of management override of controls



Audit risks and our audit approach



1

Valuation of Council Dwellings

The carrying amount of revalued Council Dwellings differs materially from the fair value



Significant audit risk

The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate current value at that date. Council dwellings are valued annually by assessing the value of Beacon properties.

The Council engaged an external valuer, Wilks Head and Eve, for the year ended 31 March 2025. The valuer has performed a valuation over the entire portfolio of council dwellings (2025: £375m). There is a risk for those assets that are revalued in the year, which involve significant judgement and estimation by the valuer.

The effect of these matters is that, as part of our risk assessment, we determined that the valuation of Council Dwellings has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. The financial statements (note 13) disclose the sensitivity estimated by the Council.



Our response

We have performed the following procedures designed to specifically address the significant risk associated with the valuation:

- We critically assessed the independence, objectivity and expertise of Wilks Head and Eve, the valuers used in developing the valuation of the Council's Dwellings at 31 March 2025
- We inspected the instructions issued to the valuers for the valuation of Council Dwellings and verified they are appropriate to produce a valuation consistent with the requirements of the CIPFA Code.
- We evaluated the design and implementation of controls in place for management to review the valuation and the appropriateness of assumptions used.
- We challenged the appropriateness of the valuation of Council Dwellings; including any material movements from the previous revaluations. We challenged key assumptions within the valuation as part of our judgement. *At the stage of writing this report, our audit work was in progress*
- We agreed the calculations performed of the movements in value of Council Dwellings and verified that these have been accurately accounted for in line with the requirements of the CIPFA Code. *At the stage of writing this report, our audit work was in progress*
- Disclosures: We considered the adequacy of the disclosures concerning the key judgements and degree of estimation involved in arriving at the valuation. *At the stage of writing this report, our audit work was in progress*

As well as our response to the significant risk set out above, we will also compare the accuracy of the data provided to the valuers for the development of the valuation to underlying information.

Audit risks and our audit approach (cont.)



1

Valuation of Council Dwellings (cont.)

The carrying amount of revalued Council Dwellings differs materially from the fair value



Significant audit risk

The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate current value at that date. Council dwellings are valued annually by assessing the value of Beacon properties.

The Council engaged an external valuer, Wilks Head and Eve, for the year ended 31 March 2025. The valuer has performed a valuation over the entire portfolio of council dwellings (2025: £375m). There is a risk for those assets that are revalued in the year, which involve significant judgement and estimation by the valuer.

The effect of these matters is that, as part of our risk assessment, we determined that the valuation of Council Dwellings has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. The financial statements (note 13) disclose the sensitivity estimated by the Council.

Key:

Prior year

Current year



Our findings

Our audit work is still in progress, we will update our conclusion on other audit procedures in our final ISA 260 report.

- We evaluated the design and implementation of controls in place for management to review the valuation and the appropriateness of assumptions used. We have raised a control deficiency around the lack of in-depth review of the valuation report as required by auditing standards.
- Our assessment of management's valuer, Wilks Head and Eve, found them to be independent, objective, of appropriate expertise, and that instructions issued for the valuation were appropriate.
- Other related procedures are currently ongoing.

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



© 2025 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Document Classification: KPMG Confidential

Audit risks and our audit approach



2

Valuation of Other Land and Buildings

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



Significant audit risk

The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate current value at that date. The Council undertakes an annual valuation programme on Other Land and Buildings.

The Council engaged an external valuer for the year ended 31 March 2025 to perform a valuation over other land and buildings. Other land and buildings are valued at either depreciated replacement cost for specialised assets (2025: £30m) or existing use value for non-specialised assets (2025: £15m). There is a risk for those assets that are revalued in the year, which involve significant judgement and estimation by the valuer.

The effect of these matters is that, as part of our risk assessment, we determined that the valuation of land and buildings has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. The financial statements (note 13) disclose the sensitivity estimated by the Council

Key:

Prior year

Current year



Our response

We have performed the following procedures designed to specifically address the significant risk associated with the valuation:

- We critically assessed the independence, objectivity and expertise of Wilks Head and Eve, the valuers used in developing the valuation of the Other Land and Buildings at 31 March 2025.
- We inspected the instructions issued to the valuers for the valuation of Other Land & Buildings and verified they are appropriate to produce a valuation consistent with the requirements of the CIPFA Code.
- We evaluated the design and implementation of controls in place for management to review the valuation and the appropriateness of assumptions used.
- We challenged the appropriateness of the valuation of Other Land & Buildings; including any material movements from the previous revaluations. We challenged key assumptions within the valuation as part of our judgement. *At the stage of writing this report, our audit work was in progress*
- We agreed the calculations performed of the movements in value of Other Land & Building and verified that these have been accurately accounted for in line with the requirements of the CIPFA Code. *At the stage of writing this report, our audit work was in progress*
- Disclosures: We considered the adequacy of the disclosures concerning the key judgements and degree of estimation involved in arriving at the valuation. *At the stage of writing this report, our audit work was in progress*

As well as our response to the significant risk set out above, we will also compare the accuracy of the data provided to the valuers for the development of the valuation to underlying information.



Audit risks and our audit approach (cont.)



2

Valuation of Other Land and Buildings (cont.)

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



Significant audit risk

The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate current value at that date. The Council undertakes an annual valuation programme on Other Land and Buildings.

The Council engaged an external valuer for the year ended 31 March 2025 to perform a valuation over other land and buildings. Other land and buildings are valued at either depreciated replacement cost for specialised assets (2025: £30m) or existing use value for non-specialised assets (2025: £15m). There is a risk for those assets that are revalued in the year, which involve significant judgement and estimation by the valuer.

The effect of these matters is that, as part of our risk assessment, we determined that the valuation of land and buildings has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. The financial statements (note 13) disclose the sensitivity estimated by the Council

Key:
 Prior year
 Current year



Our findings

Our audit work is still in progress, we will update our conclusion on other audit procedures in our final ISA 260 report.

- We evaluated the design and implementation of controls in place for management to review the valuation and the appropriateness of assumptions used. We have raised a control deficiency around the lack of in-depth review of the valuation report as required by auditing standards.
- Our assessment of management's valuer, Wilks Head and Eve, found them to be independent, objective, of appropriate expertise, and that instructions issued for the valuation were appropriate.
- Other related procedures are currently ongoing.

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



© 2025 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Document Classification: KPMG Confidential

Audit risks and our audit approach



3

Valuation of investment property

The carrying amount of revalued investment property differs materially from the fair value



Significant audit risk

The Code defines an investment property as one that is used solely to earn rentals or for capital appreciation or both. Property that is used to facilitate the delivery of services or production of goods as well as to earn rentals or for capital appreciation does not meet the definition of an investment property.

There is a risk that investment properties (2025: £170m) are not being held at fair value, as is required by the Code. At each reporting period, the valuation of the investment property must reflect market conditions. Significant judgement is required to assess fair value and management experts (CBRE) are engaged to undertake the valuations.

Key:
 Prior year
 Current year



© 2025 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.



Our response

We have performed the following procedures designed to specifically address the significant risk associated with the valuation:

- We critically assessed the independence, objectivity and expertise of CBRE, the valuers used in developing the valuation of the Council's investment property at 31 March 2025.
- We inspected the instructions issued to the valuers to verify they are appropriate to produce a valuation consistent with the requirements of the CIPFA Code. *At the stage of writing this report, our audit work was in progress.*
- We evaluated the design and implementation of controls in place for management to review the valuation and the appropriateness of assumptions used. *We have raised a control deficiency as detailed on page 20*
- We challenged the appropriateness of the valuation; including any material movements from the previous revaluations. We challenge key assumptions within the valuation as part of our judgement.
- We agreed the calculations performed of the movements and verify that these have been accurately accounted for in line with the requirements of the CIPFA Code.
- We utilised our own valuation specialists to review the valuation report prepared by CBRE(Council valuers) to confirm the appropriateness of the methodology utilised.
- Disclosures: We considered the adequacy of the disclosures concerning the key judgements and degree of estimation involved in arriving at the valuation. *At the stage of writing this report, our audit work was in progress.*

As well as our response to the significant risk set out above we will also compare the accuracy of the data provided to the valuers for the development of the valuation to underlying information. *At the stage of writing this report, our audit work was in progress.*

Audit risks and our audit approach (cont.)



3

Valuation of investment property (cont.)

The carrying amount of revalued investment property differs materially from the fair value



Significant audit risk

The Code defines an investment property as one that is used solely to earn rentals or for capital appreciation or both. Property that is used to facilitate the delivery of services or production of goods as well as to earn rentals or for capital appreciation does not meet the definition of an investment property.

There is a risk that investment properties (2025: £170m) are not being held at fair value, as is required by the Code. At each reporting period, the valuation of the investment property must reflect market conditions. Significant judgement is required to assess fair value and management experts (CBRE) are engaged to undertake the valuations.



Our findings

Our audit work is in progress, we will update our conclusion on outstanding audit procedures in our final ISA 260 report.

- We evaluated the design and implementation of controls in place for management to review the valuation and the appropriateness of assumptions used. We have raised a control deficiency around the lack of in-depth review of the valuation report as required by auditing standards.
- Our assessment of management's valuer, CBRE, found them to be independent, objective, of appropriate expertise, and that instructions issued for the valuation were appropriate.
- Our valuation specialists have reviewed the valuation report and confirmed the appropriateness of the methodology used for a sample of investment properties. Based on the work performed, no audit misstatements were noted.
- The significant assumptions over market capitalisation have been reviewed and challenged by our valuation specialists. We challenged the appropriateness of the valuation approach used.
- We reperformed the calculations using inputs used by valuers and verified that these were accurately accounted for in line with the requirements of the CIPFA Code
- Other related procedures are currently ongoing.

Key:

0 Prior year

■ Current year

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



Audit risks and our audit approach



4

Fraud risk from expenditure recognition

Liabilities and related expenses for purchases of goods or services are not completely identified and recorded



Significant audit risk

- Practice Note 10 states that the risk of material misstatement due to fraudulent financial reporting may arise from the manipulation of expenditure recognition is required to be considered.
- The Council has a statutory duty to balance their annual budget. Where a Council does not meet its budget this creates pressure on the Council's usable reserves and this in turn provides a pressure on the following year's budget.
- There is no assurance provided over the level of usable reserves for 2019-20 onwards, therefore there is a risk relating to the accuracy of the opening level of reserves available to the Council to support cost pressures.
- We consider that there could be an incentive for management to seek to manipulate the level of expenditure recorded at year end in order to report financial performance within the level of usable reserves.
- We consider this would be most likely to occur through understating accruals that are required to be made at 31 March 2025, for example to push back expenditure to 2025-26 to mitigate financial pressures



Our response

We have performed the following procedures in order to respond to the significant risk identified:

- We evaluated the design and implementation of controls for developing manual expenditure accruals at the end of the year and verified that they have been completely recorded.
- We inspected a sample of invoices of expenditure and payments made, in the period after 31 March 2025, to determine whether expenditure has been recognised in the correct accounting period and whether accruals are complete. *At the stage of writing this report, our audit work was in progress.*
- We inspected journals posted as part of the year end close procedures that decrease the level of expenditure recorded in order to critically assess whether there was an appropriate basis for posting the journal and the value can be agreed to supporting evidence.
- We compared the items that were accrued at 31 March 2024 to those accrued at 31 March 2025 in order to assess whether any items of expenditure not accrued for as at 31 March 2025 have been done so appropriately.. *At the stage of writing this report, our audit work was in progress.*

Audit risks and our audit approach (cont.)



4

Fraud risk from expenditure recognition (cont.)

Liabilities and related expenses for purchases of goods or services are not completely identified and recorded



Significant audit risk

- Practice Note 10 states that the risk of material misstatement due to fraudulent financial reporting may arise from the manipulation of expenditure recognition is required to be considered.
- The Council has a statutory duty to balance their annual budget. Where a Council does not meet its budget this creates pressure on the Council's usable reserves and this in turn provides a pressure on the following year's budget.
- There is no assurance provided over the level of usable reserves for 2019-20 onwards, therefore there is a risk relating to the accuracy of the opening level of reserves available to the Council to support cost pressures.
- We consider that there could be an incentive for management to seek to manipulate the level of expenditure recorded at year end in order to report financial performance within the level of usable reserves.
- We consider this would be most likely to occur through understating accruals that are required to be made at 31 March 2025, for example to push back expenditure to 2025-26 to mitigate financial pressures



Our findings

Our audit work is still in progress, we will update our conclusion on other audit procedures in our final ISA 260 report.

- During our inquiry, we noted that management reviews the accruals at year end during the recognition process. Our audit work is still in progress in order to conclude that the control has been performed and assessing the effectiveness of the control.
- At this stage ,we have not identified any material misstatements impacting accruals completeness One classification misstatement was identified and corrected as documented on page 22.
- We tested the journals entries with unusual postings to expenditure and accruals and agreed these to supporting evidence. We also confirmed the rationale for posting these was appropriate.
- Other related procedures are currently ongoing.

Audit risks and our audit approach



5

Management override of controls^(a)

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



Significant audit risk

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



Our response.

- Our audit methodology incorporates the risk of management override as a default significant risk.
- Assessed accounting estimates for biases by evaluating whether judgements and decisions in making accounting estimates, even if individually reasonable, indicate a possible bias. *At the stage of writing this report, our audit work was in progress.*
 - Evaluated the selection and application of accounting policies. *At the stage of writing this report, our audit work was in progress.*
 - In line with our methodology, evaluated the design and implementation of controls over journal entries and post closing adjustments.
 - Assessed the appropriateness of changes compared to the prior year to the methods and underlying assumptions used to prepare accounting estimates. *At the stage of writing this report, our audit work was in progress*
 - Assessed the business rationale and the appropriateness of the accounting for significant transactions that are outside the normal course of business or are otherwise unusual.
 - We analysed all journals through the year and focused our testing on those with a higher risk, such as Unusual postings to expenditure and accruals, Unusual postings to cash, Unusual postings to borrowings and Unusual postings to Income.

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

Audit risks and our audit approach (cont.)



5

Management override of controls (cont.)^(a)

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



Significant audit risk

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



Our findings

- We have identified a control deficiency regarding the enforcement of automated segregation of duties in posting of journal transactions due to the limitations of the General Ledger system.
- We identified 8 journal entries and other adjustments meeting our high-risk criteria and our examination has not identified any unsupported or inappropriate entries.
- We evaluated accounting estimates, including the consideration of third party specialist reports and did not identify any indicators of management bias. Refer to slide 18 for further discussion.
- Our procedures did not identify any significant unusual transactions
- Other relevant procedures are in progress

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

Audit risks and our audit approach



6

Valuation of post retirement benefit obligations

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



Significant audit risk

- The valuation of the post retirement benefit obligations involves the selection of appropriate actuarial assumptions, most notably the discount rate applied to the scheme liabilities, inflation rates and mortality rates. The selection of these assumptions is inherently subjective and small changes in the assumptions and estimates used to value the Council's pension liability could have a significant effect on the financial position of the Council.
- The effect of these matters is that, as part of our risk assessment, we determined that post retirement benefits obligation has a high degree of estimation uncertainty. The financial statements disclose the assumptions used by the Council in completing the year end valuation of the pension deficit and the year on year movements.
- We have identified this in relation to the following pension scheme memberships: Essex Local Government Pension Scheme.

Key:

Prior year Current year



Our response

We have performed the following procedures :

- Understood the processes the Council have in place to set the assumptions used in the valuation.
- Evaluated the competency, objectivity of the actuaries to confirm their qualifications and the basis for their calculations.
- Performed inquiries of the accounting actuaries to assess the methodology and key assumptions made, including actual figures where estimates have been used by the actuaries, such as the rate of return on pension fund assets..
- Agreed the data provided by the audited entity to the Scheme Administrator for use within the calculation of the scheme valuation.
- Evaluated the design and implementation of controls in place for the Council to determine the appropriateness of the assumptions used by the actuaries in valuing the liability.
- Challenged, with the support of our own actuarial specialists, the key assumptions applied, being the discount rate, inflation rate and mortality/life expectancy against externally derived data.
- Confirmed that the accounting treatment and entries applied by the Group are in line with IFRS and the CIPFA Code of Practice..
- Considered the adequacy of the Council's disclosures in respect of the sensitivity of the deficit or surplus to these assumptions.
- We assessed the level of surplus that should be recognised by the entity.
- Assessed the impact of a new triennial valuation model and/or any special events, where applicable.

Audit risks and our audit approach (cont.)



4

Valuation of post retirement benefit obligations (cont.)

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



Significant audit risk

- The valuation of the post retirement benefit obligations involves the selection of appropriate actuarial assumptions, most notably the discount rate applied to the scheme liabilities, inflation rates and mortality rates. The selection of these assumptions is inherently subjective and small changes in the assumptions and estimates used to value the Council's pension liability could have a significant effect on the financial position of the Council.
- The effect of these matters is that, as part of our risk assessment, we determined that post retirement benefits obligation has a high degree of estimation uncertainty. The financial statements disclose the assumptions used by the Council in completing the year end valuation of the pension deficit and the year on year movements.
- We have identified this in relation to the following pension scheme memberships: Essex Local Government Pension Scheme.



Our findings

Our work in this area is substantially complete.

- Actuarial assumptions are assessed by management for appropriateness. However, the review was not performed on a sufficiently detailed or documented basis to allow us to rely on the control. Consequently, we concluded that controls in place to review the valuation were ineffective, consistent with the prior period. We note the review is considered adequate by management for their own purposes.
- We were satisfied with the independence, objectivity and expertise of the scheme actuary.
- We considered that the assumptions used in valuing the defined benefit obligation and concluded overall to be balanced compared to our central actuarial benchmarks.
- Individually all assumptions are balanced except CPI rate, which is considered as cautious but within reasonable range. This is mainly because proposed CPI rate is 0.16 basis points higher than the KPMG's central benchmark.
- The net pension surplus has been restricted to £nil on the basis of estimated future service costs less the estimated minimum funding contributions meaning the surplus is not recoverable. Additionally, a minimum funding liability of £2,150k is applied. We agree with the basis for restricting the surplus and recording additional liability
- Disclosures testing on pensions note is pending.

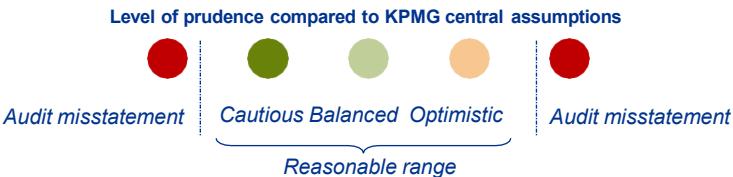
Key:

Prior year Current year

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



Procedures 3-6: UK assumptions



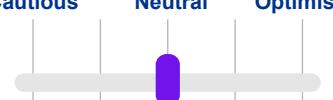
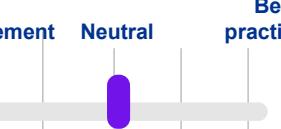
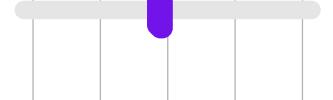
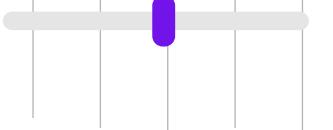
Overall assessment of assumptions for audit consideration							Balanced	
Underlying assessment of individual assumptions		Methodology	Consistent methodology to prior year?	Compliant methodology with accounting standard?	Employer	KPMG	Assessment	Key assumptions
Discount rate		AA yield curve	✓	✓	5.80%	5.71%	●	✓
CPI inflation		Deduction to inflation curve	✓	✓	2.90%	2.74%	●	✓
Pension increases		In line with CPI	✓	✓	2.90%	2.96%	●	
Salary increases		In line with most recent Fund valuation	✓	✓	CPI plus 1.0%	In line with long-term remuneration policy	●	
Mortality	Base tables	In line with most recent Fund valuation	✓	✓	110% of SAPS Series 3 base tables	In line with Fund best-estimate	●	✓
	Future improvements	In line with most recent Fund valuation, updated to use latest CMI model	✓ See next page	✓	CMI 2023, 1.25% long-term trend rate and default other parameters	CMI 2023, 1.25% long-term trend rate and default other parameters	●	✓
Other demographics		In line with most recent Fund valuation	✓	✓	Members commute 50% of the maximum tax-free cash at retirement	In line with Fund experience	●	

Key accounting estimates and management judgements- Overview

Our view of management judgement

Our views on management judgments with respect to accounting estimates are based solely on the work performed in the context of our audit of the financial statements as a whole. We express no assurance on individual financial statement captions.



Asset/liability class	Our view of management judgement	Balance (£m)	YoY change (£m)	Our view of disclosure of judgements & estimates	Further comments
Defined benefit plan		82.1	9.3		<p>KPMG actuaries have reviewed the actuarial valuation for the Council, considered the disclosure implications and compared the actuarial valuation to our internal benchmarks. Overall, we consider the assumptions adopted to be balanced relative to our benchmark range.</p>
Defined benefit asset		119.9	5.4		<p>The pension assets balance has increased by 4% in comparison to prior year. The rate of return confirmed by the pension fund is similar to the actuary's report, hence it is considered to be neutral/balanced.</p>
Investment Property		170.2	3.9		<p>We have identified a control deficiency regarding management review of the building valuation assumptions.</p> <p>For investment property, significant assumptions over market capitalisation have been reviewed by our valuation specialists and no issues identified.</p>

Key:
 Prior year  Current year



Key accounting estimates and management judgements- Overview

Our view of management judgement

Our views on management judgments with respect to accounting estimates are based solely on the work performed in the context of our audit of the financial statements as a whole. We express no assurance on individual financial statement captions.

Cautious Neutral Optimistic

Asset/liability class	Our view of management judgement			Balance (£m)	YoY change (£m)	Our view of disclosure of judgements & estimates			Further comments
	Cautious	Neutral	Optimistic			Needs improvement	Neutral	Best practice	
Council Dwellings				375.8	3.9				We have identified a control deficiency regarding management review of the valuation assumptions. We will review the beacon rates used in the existing use valuation of social housing. Our audit work over testing of assumptions and beacon rates is currently in progress; we will conclude on reasonableness of assumptions used upon completion of audit work.
Other Land & Buildings				45.6	(1)				We have identified a control deficiency regarding management review of the building valuation assumptions. For assets valued under depreciated replacement cost, we have reviewed the BCIS indices used in the valuation and obsolescence factors. Our audit work over testing of assumptions is currently in progress; we will conclude on reasonableness of assumptions used upon completion of audit work.

Key:
0 Prior year ● Current year

Group involvement – Significant component audits



Our oversight of component auditors was in line with the plan set out at the strategy stage. We reviewed the planned procedures in relation to significant risk areas and then assessed the execution of this work. We considered the basis for the findings reported to the Group team and these were discussed in more detail, and further work performed where required.

The group engagement team's evaluation of the work performed by component auditor is currently in progress. We will issues update you upon completion of the final review on the work performed by component auditors.

Component	Areas of audit risk						Site visit	Review of work papers	Status calls	Significant matters discussed with component auditors
	1	2	3	4	5	6				
Aspire CRP Limited		✓			✓			✓		Due to magnitude of the Investment in Chesterford Park, the group audit team was involved in discussions held with component management, reviewed the component auditor's work for appropriate challenge on valuation of the investment property including consideration of evidence obtained.

Interaction with component auditors over and above reviewing their reporting

Note: (1) [Where there have been changes to the type of work performed or involvement in the work of component auditors of significant components since planning, describe the changes using a footnote]

Findings To Date

Corrected audit misstatements



Under UK auditing standards (ISA (UK) 260) we are required to provide the Audit and Standards Committee with a summary of corrected audit differences (including disclosures) identified during the course of our audit. The adjustments below have been included in the financial statements.

Corrected audit misstatements (£'000s)				
No.	Detail	SOCL Dr/(cr)	SOFP Dr/(cr)	Comments
	Dr Accruals	-	£914	This relates to income received in advances balances that were incorrectly classified as Accruals.
	Cr Income received in advance		(£914)	The transactions related to payments made in advance by Waitrose and Weston for commercial rent.
Total		-	-	

Corrected Disclosure Misstatement

1. Grants classified Incorrectly in the Grant Income Note (Disclosure misstatement of Note 35: Revenue grant held for other bodies was incorrectly classified as Grants received from government departments)
2. Missing Senior Member in the Senior Officer Remuneration Disclosure (Disclosure Misstatement of note 33b): Based on organisational chart, we noted that Senior members remuneration was not included in the first draft version of accounts.
3. Exit Packages Misstated (Disclosure Misstatement of Note 33c): one exit package amount being included in the incorrect banding.
4. PFI disclosure misstatement of Note 39: Contract amount at the time of commencement of PFI was inaccurately disclosed in Note 39.

Control Deficiencies



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

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

#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date
1	2	<p>Maintaining up to date tenancy agreements for HRA properties</p> <p>As part of our substantive procedures over the Housing Revenue Account (HRA), we inspected the tenancy agreement for a sample of tenants and identified the tenancy agreements for some of the sampled tenants were missing from the council's records.</p> <p>The lack of a formal tenancy agreement creates a risk of a lack of legal enforceability of the terms of the contracts which could result in disputes over rental amounts and the council could face challenges recovering overdue rent.</p> <p>We recommend that the Council initiates a formal process for signing new agreements with existing tenants where rental agreements are found to be missing</p>	<p>Based on these findings, management will initiate an investigation to locate the missing agreement. If the tenancy agreement cannot be found, we will seek legal advice to determine the appropriate next steps.</p> <p>Grace Osinnowo</p>

Control Deficiencies (cont.)



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

Total number of recommendations	Number of recommendations implemented	Number outstanding (repeated below):		
9	2	7		
#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date	Current Status (November 2025)
1	③	<p>Management review of actuarial assumptions</p> <p>We noted that the Finance Head reviews the assumptions and methodologies used in the calculation of the IAS 19 Report. However, we noted that the process is not formalised and no reports generated as evidence of the review. As a result, the audit team was unable to obtain the evidence of the review.</p> <p>Recommendation</p> <p>We recommend the Council to perform a detailed review of valuation reports prepared by experts to ensure these are correctly prepared in accordance with CIPFA code.</p>	<p>The Council will implement a formal review of actuary assumptions annually during the closedown process. This will include analytical review with challenge to actuary on any significant changes (+/-10% and/or £10m) and senior UDC officer scrutiny from those with pensions knowledge and experience. This review will be added to the closedown timetable and formally documented as a report annually.</p> <p>Michael Millar (pensions lead) and Senior Officers (implementation immediate for 24/25 closedown)</p>	<p>This type of control is defined as 'management review controls' by International Standards of Auditing. This control is difficult for auditors to rely on, as auditing standards require a level of precision and formalisation that are generally not seen in practice. Due to this, we have concluded that this remains a control deficiency in the current year.</p> <p>Status: Open</p>
2	②	<p>Payroll Control Deficiency</p> <p>We noted that the Council does not prepare monthly Payroll reconciliations to agree the payroll costs as generated from payroll system to the payroll ledger. We recommend on a monthly basis the Council prepares a reconciliation. The reconciliation should explain all reconciling items between the payroll reports (as per iTrent) to payroll ledger</p>	<p>The Council will continue to undertake monthly payroll reconciliation but will implement formal sign off by appropriate finance officers (approver must be senior to compiler). Official approval being via e-mail once the senior officer is happy the payroll rec is complete and accurate with all timing differences explained and supported with evidence (such as iTrent, bank and GL snips).</p> <p>Grace Osinnowo (implementation from 31-03-2025)</p>	<p>We noted that the control was effectively implemented in March 2025 and remains a control deficiency in current financial year for period between April 2024- Feb 2025.</p> <p>Status: Open for 2024/25</p>

Control Deficiencies (cont.)

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

#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date	Current Status (November 2022)
3	2	<p>Lack of segregation of duties</p> <p>There is lack of segregation of duty in the journal entries posting process. The journal entries are created and posted to the general ledger by one person. There is no control in place to review and authorise the journal entries before posting to general ledger. Lack of controls in the journal entries process may result in errors and increase the risk of inappropriate transactions being posted.</p> <p>Recommendation</p> <p>Council should ensure that there is adequate segregation of duty arrangements in the financial reporting process. A review should be undertaken to assess how segregation of duties could be incorporated into the processing of financial transactions.</p>	<p>The Council will be implementing a new GL system early in the 25/26 financial year. This new GL system WILL require approver by an individual other than inputter to meet segregation of duties, however journals below a certain gross deminimus level (still to be determined) will apply. Until then the current system will remain with manual journals input and approved by 1 person.</p> <p>Adrian Webb (implementation summer 2025)</p>	<p>As the implementation of new GL system has been deferred to the next financial period ending 31 March 2026, the current system does not have in-built journal workflow that facilitate segregation of duty and authorisation of journal before posting to GL.</p> <p>Status: Open</p>
4	3	<p>Management Review of Valuation Report</p> <p>While an informal review is undertaken of the valuation reports for council dwellings and other land and buildings this does not meet the criteria expected within auditing standards for an effective control. This would require that expectations are independently set by management, that thresholds for investigation are defined and that documentary evidence is maintained of the review steps undertaken.</p> <p>Recommendation</p> <p>We recommend the Council to perform a detailed review of valuation reports prepared by experts to ensure these are correctly prepared in accordance with CIPFA code.</p>	<p>The Council will implement a formal review of all non-current assets revalued annually during the closedown process. This will include analytical review with challenge to valuers on any significant changes (+/-10% and/or £1m) and senior UDC officer scrutiny from those with property knowledge and experience. This review will be added to the closedown timetable and formally documented as a report annually.</p> <p>Joanne MacReady (capital lead) and Senior Officers (implementation immediate for 24/25 closedown)</p>	<p>The Council implemented a review and challenge session with the valuer after the valuation process was completed. However, this type of control is defined as 'management review controls' by International Standards of Auditing. This control is difficult for auditors to rely on, as auditing standards require a level of precision and formalisation that are generally not seen in practice. Due to this, we have concluded that this remains a control deficiency in the current year.</p> <p>Status: Open</p>





Control Deficiencies (cont.)

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

#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date	Current Status (November 2022)
5	2	<p>Review of Bank Reconciliation</p> <p>We noted that all bank reconciliations for 2023/24 were not reviewed and approved by senior management personnel. Based on management inquiries we were informed that there was no formalised process for the review and approval of bank reconciliations. The process is done at year end to review and sign all the bank reconciliation prepared by an accountant. However, based on the work performed in the current year, we could not get the evidence that bank reconciliation had been reviewed and signed off by senior management personnel.</p>	<p>The Council will continue to undertake monthly bank rec but will implement formal sign off by appropriate finance officers (approver must be senior to compiler). Official approval being via e-mail once the senior officer is happy the bank rec is complete and accurate with all timing differences explained and supported with evidence (such as bank and GL snips).</p> <p><i>Helen Swain (implementation from 31-03-2025)</i></p>	<p>We noted that the control was effectively implemented in March 2025 and remains a control deficiency in current financial year for period between April 2024- Feb 2025.</p> <p>Status: Open for 2024/25</p>
6	2	<p>Outdated Policies</p> <p>We noted that the Council have not been regularly updating its policies such as Bribery Act Policy. The Bribery Act Policy was last updated in 2019. Lack of regular updates of policies may expose the Council to risk such as non-compliance with laws and regulations.</p> <p>A review of the Bribery Act policy should be undertaken to assess whether any changes are required and an updated policy approved.</p>	<p>The Council will implement a full review of all "policies" and update as required. The Bribery Act policy will be reviewed and updates as necessary.</p> <p><i>Adrian Webb (implementation spring 2025)</i></p>	<p>The Bribery Act policy was updated in October 2025 , this was done after the end of the current financial period. As a result, this remains a control deficiency in current year</p> <p>Status: Open for 2024/25</p>



Control Deficiencies (cont.)

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

#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date	Current Status (November 2022)
7	3	<p>Register and Declaration of interest</p> <p>We noted that the register of interests had not been updated on a timely basis during the audit period to ensure that all declarations had been captured and that an accurate record of related parties should be compiled.</p> <p>This should be completed on at least an annual basis as well as when there are changes in members and the version of the register on the website regularly updated.</p>	<p>The Council will implement a full review of "interest" declarations. This review will be added to the closedown timetable and formally documented as a report annually.</p> <p>Adrian Webb (implementation immediate for 24/25 closedown)</p>	<p>Our audit work over Related Party testing is not yet concluded; no issues have been identified to date. We will confirm in the final report if this recommendation can be closed.</p>
8	2	<p>Capitalisation expenditure</p> <p>Our inquiries identified the Council does not have high level controls in place designed to detect errors around capitalisation of expenditure. During the course of our walkthrough of capital expenditure, we identified costs that were incorrectly capitalised. Our inquiries identified the process for these controls are not formally documented. However, we noted that a full check was performed by financial officers as part of account preparation.</p> <p>We recommend the Council to strengthen the in-year checks on what is being capitalised to ensure it is appropriate.</p>	<p>The Council will implement a formal review of all non-current assets cap exp before capitalisation annually during the closedown process. This will include line by line cap exp review with challenge to officers if capitalised expenditure classification is dubious. In 2425's closedown the council will initiate manual cap accruals de minimis of £10k to assist and focus cap exp classification.</p> <p>Joanne MacReady (capital lead) (implementation immediate for 24/25 closedown)</p>	<p>Our testing over capital additions is not yet concluded; no instances have been identified to date. We will confirm in the final report if this recommendation can be closed.</p>
9	3	<p>Going concern assessment</p> <p>We noted that the Council does not prepare a formal going concern assessment as required by International accounting standards. We noted that the Council has prepared the Uttlesford Blueprint which detailed the saving plans and income streams identified to increase revenue. However, the Going concern assessment was not prepared to support the forecast included in the Uttlesford Blueprint to support the Council's ability to continue as going concern.</p> <p>We recommend that Council should prepare the Going Concern assessment of the Council at the end of each financial period.</p>	<p>The Council will implement a formal review of going concern assessment annually, with the Blueprint. This review will be added to the closedown timetable and formally documented as a report annually.</p> <p>Adrian Webb (implementation immediate for 24/25 closedown)</p>	<p>Closed</p>



kpmg.com/uk

© 2025 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Document Classification: KPMG Confidential