

Wandsworth Borough Council

Final Audit results report
Year ended 31 March 2025
23 February 2026



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Wandsworth Borough Council
The Town Hall
Wandsworth High Street
London SW18 2PU

23 February 2026

Dear Audit Committee Members
2024/25 Final 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 Wandsworth Borough 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 [EY UK 2025 Transparency Report | EY - UK](#) 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 Committee and management of Wandsworth Borough Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit Committee and management of Wandsworth Borough 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 Committee and management of Wandsworth Borough 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 2023/24 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. Taken together with the requirement to conclude our work by the 2024/25 back stop date, the lack of evidence over these movements and balances along with disclaimer over Council dwellings, Long-term Debtors, Long-term Creditors, infrastructure assets, Group and Revenue Expenditure Funded from Capital Under statute mean we were unable to conclude that the 2023/24 financial statements were free from material and pervasive misstatement of the financial statements. For 2024/25, we have obtained substantial or partial assurance over some areas previously without assurance, including long-term debtors, long-term creditors, and group accounts. Further details are provided in Appendix B.

Appendix A sets out the current position of Wandsworth Borough 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 A.

Executive Summary (cont'd)

Scope update

In our Audit Planning Report presented at the 09 July 2025 Audit 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:

- **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 £20 million, with performance materiality at £10 million, component performance materiality at £2 million, and an audit difference threshold of £1 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 £21.7 million, with performance materiality increased to £10.8 million, component assigned performance materiality adjusted to £2.1 million, and the audit difference threshold raised to £1.1 million.

Status of the audit

Our audit work in respect of the Council and Group opinion is complete. See Appendix B for our Summary of Assurances.

Value for Money

In our Audit Planning Report Update dated 09 July 2025, we reported that we had not completed our value for money (VFM) risk assessment. We have completed our 2024/25 VFM procedures and identified one significant weakness exists in the Council's arrangements. The significant weakness in arrangements is in respect of findings reported in February 2025 in a critical report from the Housing Regulator. 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 £1.1 million.

➤ Pension Liability- London Pension Fund Authority

As a response to our IAS 19 audit letter to the London Pension Fund Authority Pension Fund (LPFA) auditors, the LPFA (which a larger body than the council) auditors have reported a difference of £30 million between the estimated investment balance used by the actuary (Barnett Waddingham) at year end for IAS 19 purposes and those reported in the final audited LPFA financial statements. The investment value reported in the financial statements reflects the most recent valuation as per the fund manager's statements which was received by the Pension Fund after the Custodian's report was released. However, the submission to the actuary for the IAS 19 reports was not updated to reflect the most recent valuation as at 31 March 2025. The Council's share of the assets of the Fund is approximately 0.67%, therefore the estimated impact of difference on the council's pension liability would be £201,000 which is clearly immaterial. While the estimate is clearly immaterial and falls below our reportable threshold, we have included it here to ensure full transparency and completeness of our audit reporting.

Executive Summary (cont'd)

Audit differences (cont'd)

> Pension Liability- Wandsworth Pension Fund

In response to our IAS 19 audit letter to the Wandsworth Pension Fund auditors, the Pension Fund auditors have reported an uncorrected understatement of £1.69 million in the valuation of the Fund's investment assets. This difference arose due to an updated valuation becoming available after the preparation of the financial statements. As the updated valuation was not reflected in the submission to the actuary for IAS 19 reporting purposes, the investment asset figure used in the IAS 19 valuation remains understated. The Council's share of the Fund's assets is approximately 61.6%, resulting in an estimated impact of £1.05 million on the Council's pension liability which is not material for the Council. While the estimate is clearly immaterial and falls below our reportable threshold, we have included it here to ensure full transparency and completeness of our audit reporting.

> Creditors

As part of our creditors cut-off testing, we identified a factual misstatement on a key item of £2.2 million, where a liability relating to the financial year 2024/25 was not recognised in 2024/25. This relates to a supplier whose work was completed in March 2025, but the invoice was received after year-end in April 2025. No accrual was recorded for this completed work in the 2024/25 financial statements, resulting in an understatement of liabilities in the prior year. Based on our methodology and evaluation, we are satisfied that this is not indicative of wider issues across the remaining population.

We have identified one projected misstatement of £3.3 million pertaining to the recording of goods received in the system based on purchase order details rather than the actual evidence of the receipt of goods. This results in a projected overstatement of the creditor balance. 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 samples summing up to £466 in total. The figure is then extrapolated to estimate the misstatement for the entire relevant population. Management is not expected to correct this amount, as it represents an estimate based on the sample tested rather than an actual misstatement across the population.

> Assets Valuations and Additions

As part of our Property, Plant and Equipment additions testing, we identified a factual misstatement on a key item of £1.47 million, where the invoices relating to the financial year 2023/24 was recognised in 2024/25. No accrual was recorded for this completed work in the 2023/24 financial statements, resulting in an understatement of asset balance in 2023/24.

We also identified a judgemental misstatement of £2.9million in respect of one asset during our investment property valuation testing. The asset has been reviewed by our internal specialist and falls out of acceptable range by £2.9m resulting in overstatement of asset valuation in 2024/25. The variance primarily arises from differences in the yield applied by our internal specialist and management specialist, which is a key assumption in determining Existing Use Value (EUUV) / Fair Value (FV).

> Community Infrastructure Levy (CIL) Debtor Correction

As part of our CIL income testing, we identified a £8.97 million adjustment relating to the correction of a duplicated CIL debtor originally arising from 2022/23. Management processed the correction in 2024/25, which results in the closing debtor balance now being appropriate. However, this has caused the associated income impact to be recognised in 2024/25 rather than in the period to which it relates.

Executive Summary (cont'd)

Audit differences (cont'd)

> Other Projected Errors

We have identified one projected misstatement of £3.9 million during our Housing Benefit overstatement testing, where the debtor balance was already received in prior years resulting in overstatement of debtor balance in current year. The projected misstatement is based on individual small differences in the EY samples summing up to £249 in total.

We have also identified one projected misstatement of £2.8 million during our Grant credited to services testing, where the income relates to 2023/24 however recognized in 2024/25. The projected misstatement is based on individual small differences in the EY samples summing up to £34k in total.

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 figure is then extrapolated to estimate the misstatement for the entire relevant population. Management is not expected to correct this amount, as it represents an estimate based on the sample tested rather than an actual misstatement across the population.

Corrected Misstatements

Below are the details of corrected errors which either exceeds our reportable thresholds of £10.8 million or we considered it appropriate to communicate considering the nature of error.

> Property, Plant and Equipment Additions

As part of our testing of Property, Plant and Equipment additions, we identified that the Council had incorrectly classified £18.5 million relating to the Winstanley and York Road Regeneration LLP purchase within Council Dwellings. This expenditure represents a long-term debtor and should therefore be reclassified. The misclassification has been corrected in the financial statements.

> Property, Plant and Equipment Classification

As part of our testing of Property, Plant and Equipment disposals, we identified an incorrect disposal of an asset valued at £9.45 million. This error arose due to a misclassification in the asset disposal spreadsheet, which led to an incorrect disposal journal being posted. The asset was not disposed of and should have been retained and reclassified as Asset Under Construction. This has been corrected in the financial statements.

As part of our Property, Plant and Equipment valuation testing, we identified a misclassification relating to Broadwater Primary School, which was split between Operational Property, Plant and Equipment (£16 million) and Asset Under Construction (£37 million). Following a prior year audit finding, the school was correctly classified as Asset Under Construction as at 31 March 2024 through a post-audit adjustment. However, in 2024/25, part of the asset was incorrectly reclassified as operational. This misclassification led to an inappropriate downward revaluation of £3.3 million being recorded in 2024/25. The asset should be reclassified to Asset Under Construction, and the downward revaluation should be reversed. This has not yet been corrected as at the date of this report but management has agreed to make this correction in the final version of the audited financial statements.

> Loan write off adjustments in Winstanley and York Road Regeneration (WYR) Accounts communicated by PWC:

PWC has communicated an adjustment of £73m in the income and expenditure account related to write off of loans. This has been accurately reflected in the WYR audited statement of accounts.

Executive Summary (cont'd)

Audit differences (cont'd)

Disclosures misstatements:

We have identified the following disclosure misstatements:

- We identified an understatement of £23 million on the debtor balance in the Financial Instruments (Note 20). This was due to certain debtor balances, which meet the definition of financial assets, not being included in the note. This is a disclosure adjustment only.
- We identified three issues in the Exit Packages note (Note 36); in two cases the severance payments balances were understated by a total of £11.8k, and in one case, overstated by £7.2k. Additionally, the number of employees disclosed within the £60,001-£80,000 banding was incorrectly stated as 1, whereas it should have been 2.
- We have identified the following errors within the officers' remuneration note (Note 36).
 - For one senior employee, the split of pension contributions between Wandsworth and the London Borough of Richmond upon Thames was incorrectly disclosed.
 - For another senior employee, there was an understatement of £2.4k in the salary figure when compared to the payslip records.
 - 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.

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 will perform procedures required by the National Audit Office (NAO) on the Whole of Government Accounts following the completion of the financial statement audit. We have no matters to report. We anticipate that the Council will be below the threshold requiring more detailed procedures.

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.

Where applicable we have identified those matters that we consider to be key audit matters. Key audit matters are selected from the matters we communicate to you that in our opinion are of most significance to the current period audit and required significant attention in performing the audit. In accordance with ISA (UK) 701 key audit matters are included in our auditor's report.

Risk	Status of our work
Fraud Risk- Misstatement due to fraud or error	<ul style="list-style-type: none"> Our work is complete. 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"> Our work is complete. We identified one instance of incorrect classification within Property, Plant and Equipment, where the Council had capitalised £18.5 million related to the Winstanley and York Road Regeneration LLP purchase within Council Dwellings. This expenditure represents a long-term debtor and has been now reclassified accordingly. Further within the Property, Plant and Equipment (PPE) Additions, we have identified a projected misstatement of £1.47 million where invoices related to 2023/24 but had been recognized in 2024/25 resulting in an understatement of the PPE balance in the prior 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. Based on the audit procedures performed on REFCUS additions, no material misstatements were identified in respect of the incorrect capitalisation of expenditure.
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 Existing Use Value (EUV) or Fair Value (FV) basis. For the five properties reviewed by our specialist, no significant discrepancies were identified. A further 19 assets were selected for testing by the audit team. Based on the audit procedures performed, no material misstatements were identified in respect of the valuation of assets within scope.
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 Existing Use Value (EUV) or Fair Value (FV) basis. Of the three properties reviewed by our specialist, we identified a judgemental misstatement of £2.9million in respect of one asset during our asset valuation testing. The asset has been reviewed by our internal specialist and falls out of acceptable range by £2.9m resulting in overstatement of asset valuation in 2024/25. The variance primarily arises from differences in the yield applied by our internal specialist and management specialist, which is a key assumption in determining Existing Use Value (EUV) / Fair Value (FV). The difference remains uncorrected. We did not identify any other misstatements from the work completed on our testing of investment properties valued under EUV/FV.

Executive Summary (cont'd)

Areas of audit focus (cont'd)

Risk	Status of our work
<p>Significant Risk- Valuation of Housing Revenue Account (HRA) properties</p>	<ul style="list-style-type: none"> As detailed in the audit planning report for 2024/25 we have not received the comprehensive analysis from management to ensure that the balance of Council dwellings is not materially misstated in the prior years. We have completed the planned procedures for 2024/25 but note that without management's assessment there is an issue with the opening balance in this area due to issues identified in 2023/24 which are still not resolved for 2024/25. Management has provided a proposed methodology for valuing council dwellings in future years, and we understand that work is currently underway to provide assurance over prior year balances. However, this work is still ongoing as at the conclusion of the audit in February 2026, and therefore we are unable to obtain full assurance over the current balance. As a result, this matter will be reviewed by EY as part of the 2025/26 audit. This matter impacts the audit opinion for 2024/25. Further details can be found at Appendix B in the Summary of Assurances.
<p>Risk of material misstatement (ROMM)- Valuation of land and buildings in property, plant and equipment (PPE) under Depreciated Replacement Cost (DRC)</p>	<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 a Depreciated Replacement Cost (DRC) basis. For the one property (Broadwater Primary School) reviewed by our specialist, we have identified the classification error where the asset was incorrectly split between Operational Property, Plant and Equipment (£16 million) and Asset Under Construction (£37 million). This misclassification led to an inappropriate downward revaluation of £3.3 million being recorded in 2024/25. The asset should have been included as an Asset Under Construction, and the £3.3 million revaluation should be reversed. This has been corrected in the financial statements. We did not identify any other issues.
<p>Risk of material misstatement (ROMM)- Pension Liability Valuation</p>	<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. We have received the final memorandum from the EY pensions specialist, and no material differences were noted. As a result of the procedures performed, no material differences were identified.
<p>Risk of material misstatement (ROMM)- Application of IFRS 16</p>	<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.
<p>Review of New group Structure and application of IFRS 3 (Business Combinations) -Winstanley and York Road Regeneration LLP</p>	<ul style="list-style-type: none"> We have completed our procedures in this area and have not identified any issues to report. We have completed our audit procedures relating to the involvement of the component auditor for the in-scope significant accounts of inventory and cost of sales, and no issues have been identified from the work concluded.

Executive Summary (cont'd)

Areas of audit focus

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

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

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

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

Please refer to Section 08 for our update on Independence.

Executive Summary (cont'd)

Factors impacting the execution of the audit

Management, and the Audit Committee, as the Council's body charged with governance, have an essential role in supporting the delivery of an efficient and effective audit. Our ability to complete the audit is dependent on the timely formulation of appropriately supported accounting judgements, provision of accurate and relevant supporting evidence, access to the finance team and management's responsiveness to issues identified during the audit. The table below sets out our views on the effectiveness of the Council's arrangements to support external financial reporting 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 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 of working papers in accordance with agreed client assistance schedule	Improved from previous year but Requires 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 and completeness of information compared to prior years.	We will further consider the impact of this on scale fee variation.
Quality of working papers and supporting evidence	Improved from previous year but Requires improvement			In several instances, initially requested documentation was either incomplete or not provided, resulting in follow-up queries and delays in concluding sample testing. However, we have noted an improvement in quality of evidence provided compared to prior years.	We will further consider the impact of this on scale fee variation.
Timeliness and quality of evidence supporting key accounting estimates	Effective			Workpapers 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 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 Section 05 for details of corrected and uncorrected misstatements.
Volume of misstatements in disclosure	Improved from previous year but Requires improvement			Several misstatements in disclosures were detected in our work.	See Section 05 for details of disclosure 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?

Based on the audit work completed up to the time of writing this report, 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 of management about risks of fraud and the controls put in place to address those risks.
- Obtained an 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 critically assess the reliability and sufficiency of audit evidence.

Areas of Audit Focus

Fraud Risk- Risk of fraud in revenue and expenditure recognition through 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 skepticism to critically assess the reliability and sufficiency of audit evidence.

What are our conclusions/Status of work?

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 £18.5 million related to the Winstanley and York Road Regeneration LLP purchase within Council Dwellings resulting in an overstatement of PPE balances at the year end. This expenditure represents a long-term investment and should be classified accordingly. This has been corrected by management.

Further within the PPE Additions, we have identified projected misstatement of £1.475 million where invoices related to 2023/24 but had been recognized in the 2024/25 resulting in understatement of the PPE balance in the prior 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.

Based on the audit procedures performed on REFCUS additions, no material misstatements were identified in respect of the incorrect capitalisation of expenditure.

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?

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.

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,
- 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 skepticism 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?

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 £2.9m during our asset valuation testing. The asset has been reviewed by our internal specialist and falls out of acceptable range by £2.9m resulting in overstatement of asset valuation in 2024/25. The variance primarily arises from differences in the yield applied by our internal specialist and management specialist, 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 skepticism to critically assess the reliability and sufficiency of audit evidence.

Areas of Audit Focus

Significant Risk- Valuation of Housing Revenue Account (HRA) properties

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

New stock additions and disposals were also excluded in the FY22 and FY24 valuations, resulting in variances in housing stock numbers per HRA Note 1 and the valuer's report, as well as an understatement in the valuation report. We were not able to get sufficient assurance over the HRA balance without examining the detail analysis to assess whether the Council dwellings additions are measured at current value using the existing use value – social housing method and therefore excluded it from the audit opinion provided on the 2023/24 financial statements.

The Council is currently undertaking a comprehensive analysis to ensure that the balance of Council dwellings is not materially misstated in prior year and correct treatment of valuation of 2024/25 additions. This analysis is particularly important given the significance of recent additions, which encompass a diverse range of factors, including new stock lines, enhancements to existing properties, and the construction of new buildings. We anticipate obtaining and thoroughly reviewing this assessment in 2024/25. Consequently, in light of the materiality of the amounts involved, we have heightened our risk assessment regarding the Housing Revenue Account (HRA) Valuation for this year.

What are our conclusions/Status of work?

As detailed in audit planning report for 2024/25, material variance has been noted between the 23-24 fixed asset register and Council dwellings of £111m. This is due to the Council's methodology for accounting for additions and disposals, which totalled £135m and £2.6m. The Council's approach to accounting for and revaluing additions has changed over the past three years, from FY22 to FY24. New stock additions and disposals were also excluded in the FY22 and FY24 valuations, resulting in

Our response to the key areas of challenge and professional judgement

We have performed the following procedures:

- Obtain and thoroughly review detailed assessment prepared by management to ensure that prior year balance of HRA properties is not materially misstated and ensure correct accounting and valuation of HRA Additions. We have not received this assessment from management yet.
- Consider 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.
- Lower the testing threshold when selecting valuation samples for HRA to adequately reflect the heightened significant risk in these areas.
- Challenge 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).
- Sample testing key asset information used by the valuers in performing their valuation (e.g. building areas to support valuations based on price per square metre).
- Sample test and undertake analytical procedures to support the valuation of HRA properties valued using the beacon approach.
- Consider 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.
- Review assets not subject to valuation in 2024/25 to confirm that the remaining asset base is not materially misstated.
- Consider changes to useful economic lives as a result of the most recent valuation.
- Test accounting entries have been correctly processed in the financial statements.
- Increased professional skepticism to critically assess the reliability and sufficiency of audit evidence.

Areas of Audit Focus

Significant Risk- Valuation of Housing Revenue Account (HRA) properties

What are our conclusions/Status of work? (Cont'd)

variances in housing stock numbers per HRA Note 1 and the valuer's report, as well as an understatement in the valuation report. We were not able to get sufficient assurance over the HRA balance without examining the detail analysis to assess whether the Council dwellings additions are measured at current value using the existing use value – social housing method and therefore excluded it from Audit opinion provided on 2023/24 financial statements.

As part of the 2024/25 audit, we have not yet received a comprehensive analysis from management to support the valuation of Council dwellings and confirm that the balance is not materially misstated in prior years. However, Management has provided a proposed methodology for valuing council dwellings in future years, and we understand that work is currently underway to provide assurance over prior year balances. However, this work is not expected to be completed by the end of audit work, and therefore we are unable to obtain full assurance over the current balance. As a result, this matter will be audited by EY as part of the 2025/26 audit. We are currently unable to progress our audit procedures in this area.

Within our testing of HRA asset valuations in FY24/25, we identified a factual misstatement of £6.0m during our asset valuation testing. The asset was a hostel which was not being recognised within the FAR. The difference has been corrected by management.

Areas of Audit Focus

Risk of material misstatement- 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?

The value of land and buildings in PPE under the DRC method represent significant balances in the Council's accounts and are subject to valuation changes and impairment reviews. Management is required to make a lesser degree of material judgemental inputs and apply estimation techniques which are required to calculate these balances held in the balance sheet. Although there is a risk for land and buildings under DRC to be misstated due to the specialised nature of these assets and insufficient availability of market-based evidence to assist the valuation, these assets are inherently not subject to material uncertainty arising due to market conditions.

In the 2023/24 audited financial statements, the value of PPE (excl HRA) was £1,299 million out of which land and buildings valued under DRC were £905m which is above our materiality threshold.

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. As part of this review, our specialist examined Broadwater Primary School and identified a classification error, where the asset was incorrectly split between Operational Property, Plant and Equipment (£16 million) and Asset Under Construction (£37.06 million). This misclassification led to an inappropriate downward revaluation of £5.5 million being recorded in the 2024/25 draft financial statements. We also noted that this classification error existed in the prior year, where the asset was incorrectly classified as operational, despite supporting evidence indicating that it had been under construction since August 2023. During the current year, part of the asset was reclassified from Asset Under Construction to Operational Property, Plant and Equipment without sufficient supporting documentation to justify the change. The asset has now been correctly reclassified to Asset Under Construction, and the £3.3 million downward revaluation has been reversed in the financial statements.

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- **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 (£356m asset in 2022/23 to a £7.2m 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. We employed the services of an EY Pensions specialist to review the Council's IAS19 reports and run a parallel actuarial model which was compared to that produced by Barnett Waddingham.

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 and London Pension Fund Authority, 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 London Pension Fund Authority (LPFA) auditors reported a £30 million difference between the investment balance used by the actuary (Barnett Waddingham) for IAS 19 purposes and the balance reported in the LPFA financial statements. The financial statements reflect a more recent valuation received after the Custodian's report, which was not updated in the submission to the actuary. The Council's share of the Fund is approximately 0.67%, resulting in an estimated impact of £210,000 on the Council's pension liability, which is clearly immaterial.

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 61.6%, resulting in an estimated impact of £1.048 million on the Council's pension liability. This is not material to the Council's financial statements.

We have concluded that both uncorrected misstatements reported by LPFA and Wandsworth Pension Fund auditors do not impact our audit conclusion on the Council's pension liability. From the procedures performed we have obtained assurance over the 2024/25 pension liability valuation.

Areas of Audit Focus

Risk of material misstatement- Application of IFRS 16

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

IFRS 16 Leases is applicable in local government for periods beginning 1 April 2024. It has been adopted, interpreted and adapted in the 2024/25 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 a 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 was expected to recognise a right of use asset of £28.3million which is material to our responsibilities. We have therefore included the first-time implementation of new accounting standard - IFRS 16 as a Risk of Material Misstatement (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 procedures performed, we identified that mandatory disclosures relating to the transition to IFRS 16 under the CIPFA Code, whilst not complete in the original draft of the accounts, are now appropriate and complete in the final version. No material misstatements were identified in application of IFRS 16.

Areas of Audit Focus

Risk of material misstatement- **Review of New group Structure and application of IFRS 3 (Business Combination)**-Winstanley and York Road Regeneration LLP

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

There has been a significant change in group structure in 2024/25. On 20 December 2024, the Council acquired Taylor Wimpey's share of the Joint Venture. There is now a new ownership structure with Wandsworth Borough Council owning 99% and a new company named Wandsworth WYR Limited owning the remaining 1%. The Council is the sole owner of Wandsworth WYR Limited. The new structure is still called Winstanley and York Road Regeneration LLP and the year-end remains to be 31 December. Under the new structure, the council now holds a controlling interest in Winstanley and York Road Regeneration LLP. As a result, it will treat this entity as a subsidiary in the group accounts for the 2024/25 financial year by consolidating its accounts. The council will apply IFRS 3 (Business combination) on the date of acquisition of the new subsidiary and will recognize goodwill.

As of 31 March 2024, the Council has also recognized the Loan Notes in the long-term debtors to account for the amount paid by the Council for the Compulsory Purchase Orders (CPO) to acquire the properties, and long-term creditors recognizing that the Council still holds legal title to the assets at year-end but is contractually committed to transferring them to the JV at the purchase price once specific project milestones have been reached, both of which were recognized at £38 million in the draft accounts. The Council also recognized accrued interest of £11.98 million as of year-end. As reported in final Audit Results Report of 2023/24, we were unable to obtain assurance over the group accounts due to insufficient time for review.

We consider it to be a RoMM because of the complexity involved in transition. This transition can introduce risks related to the proper application of accounting standards and the accurate reflection of the new structure in the consolidated financial statements. Further, IFRS 3 emphasizes the need for fair value measurement of the acquired assets and liabilities. This can lead to increased complexity.

Our response to the key areas of challenge and professional judgement

We have performed the following procedures:

- Obtained an understanding of the new structure by reviewing the underlying agreements to comprehend the nature of the transactions.
- Analyzed how the transaction is structured, including the ownership percentages post-acquisition, the impact of the transfer of the 1% interest to the new company and any changes in governance or management structure resulting from the transaction.
- Performed risk assessment procedures to identify any risks associated with transaction, such as contingent liabilities or potential disputes.
- Reviewed any technical advice supplied to the council.
- Considered involving subsidiary auditors for in-scope significant account balances. More detail is included within the later slides.
- Review and reperform group consolidation working-We have not yet started this as this is still pending.
- Reviewed the financial statements for compliance with disclosure requirements related to the acquisition and sale of the Joint Venture (JV).

Areas of Audit Focus

Risk of material misstatement- Review of New group Structure and application of IFRS 3 (Business Combination)-Winstanley and York Road Regeneration LLP (cont'd)

What are our conclusions/Status of work?

We have completed our procedures in this area and have not identified any issues to report. We have engaged with the auditor of Winstanley and York Rd LLP for the audit procedures on significant accounts balances which are material for the group financial statements. We have completed our required audit procedures relating to the involvement of the component auditor for in-scope significant accounts of inventory and cost of sales, and no issues have been identified from the work concluded.



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 Council 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

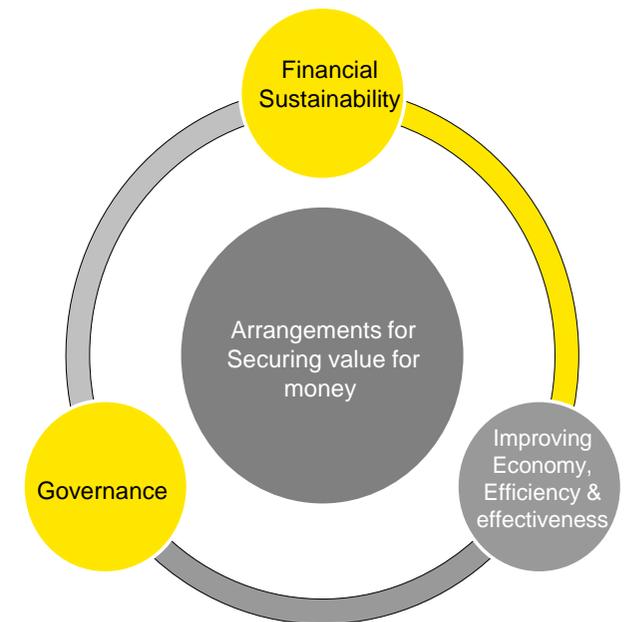
We are required to consider whether the Council has made 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.

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, we have identified one risk of significant weaknesses in arrangements as documented on the next page. Our review concluded that this was evidence of weakness in arrangements specifically with regards to the Governance sub-criteria. For further details see the next page.



Corporate Governance (cont'd)

Risk of significant weakness in VFM arrangements

What is the risk of significant weakness?

There is a risk of significant weakness in the Council's arrangements for ensuring compliance with statutory, legislative, and regulatory responsibilities as a landlord, particularly in relation to the Safety and Quality Standard under the revised consumer standards introduced by the Regulator of Social Housing in April 2024.

Following a planned inspection in November 2024, the Regulator of Social Housing, concluded in February 2025 that London Borough of Wandsworth had serious failings in delivering the outcomes of the consumer standards, resulting in a C3 grading. This grading indicates that significant improvement is needed.

What arrangements did this impact?

Governance: how the body ensures that it makes informed decisions and properly manages its risks, including: how the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements

What did we do?

Our approach focused on:

- What approach the Authority had to medium term financial planning during 2024/25, and how assumptions were used in the preparation of the 2025/26 budget and Medium- Term Financial Strategy;
- What the arrangements are to assess and assure that the available reserves and cash balances are adequate to support the Medium-Term Financial Strategy and that they are used in a sustainable manner.
- We will continue to review the progress of the Council on the matter in respect of the Housing Regulator through to the conclusion of the 2024/25 audit

Findings

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. The Council is currently in the process of addressing the concerns raised by the Housing Regulator. Since the Council's grade was awarded, a series of monthly meetings have been scheduled. These are designed to provide assurance to the Regulator that areas of focus highlighted in the regulatory judgement are being addressed. To supplement these meetings, an improvement tracker has been developed with monthly updates across a range of areas shared with the Regulator ahead of each meeting. The Cabinet Member for Housing and senior officers from the Department attend these meetings and provide updates from a series of workstreams across the consumer standards. Updates include assurance on the ongoing work to deliver the electrical testing programme and the implementation of the rolling programme of stock condition surveys.

Wandsworth has acknowledged that the previous methodology used to assess stock quality is no longer fit for purpose and has now moved to a rolling five yearly programme to undertake full stock condition surveys of all tenanted homes. Alongside this, work is underway to build resilience into the system to ensure the data is validated and used to inform the Council of the quality of the stock it manages. The new programme has been procured at a cost of £917,353 over a five-year period which is built into the Housing Revenue Account Business Plan.

In relation to electrical testing and other health and safety measures the Council recognises that these areas did not receive the right level of scrutiny by Members and residents and in some areas, contracts were not managed effectively. This has now been addressed through increased monitoring of contracts and additions to the topline indicators which will now include reports on all health and safety measures and be reported twice yearly through committee. In addition, these measures have been added to the area housing panel reports from quarter one which are presented to residents each quarter. The annual report to residents published in the Autumn edition of Homelife also included information on all the tenant satisfaction measures reported to government. An internal tracker has also been developed for senior management to ensure tighter control of contracts so issues can be identified early and resolved.

[We issued our draft VFM commentary before the reporting deadline of 30 November 2025. As a result of the findings above we modified our audit opinion in respect of value for money. For further details see section 4.](#)



04 Audit Report

Audit Report – 2024/25

Disclaimed audit report

Disclaimed Audit Report 2024/25

Our opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WANDSWORTH BOROUGH COUNCIL

Disclaimer of Opinion

We were engaged to audit the financial statements of Wandsworth Borough Council ('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 Movement in Reserves Statement,
Council and Group Cash Flow Statement,
the related notes 1 to 48 including material accounting policy information,
Housing Revenue Account Income and Expenditure Statement, the
Movement on the Housing Revenue Account Statement, and the related
notes 1 to 6, and
Collection Fund and the related notes.

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

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

Basis for disclaimer of opinion

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

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

As a result of the disclaimers of opinion on the financial statements in the prior years and the scope of our audit work, which was impacted by the backstop dates, we do not have sufficient appropriate audit evidence over: the valuation of land and buildings within property, plant and equipment that were revalued in the financial year 2022/23, amounting to £1,100 million, and the consequential impact of these on the Comprehensive Income and Expenditure Statement; and the total of reserves and their classification except for the pensions reserve and the accumulated absences reserve, amounting to £3,572 million.

Audit Report – 2023/24 (cont'd)

Disclaimed Audit Report 2024/25

Our opinion on the financial statements

Due to delays in receiving associated audit evidence in advance of the backstop date we have been unable to complete full audit procedures on the valuation of Council Dwellings as at 31 March 2024 and 31 March 2025 (£1,712 million and £1,610 million respectively).

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

The audits of the financial statements for the years ended 31 March 2023 and 31 March 2024 for Wandsworth Borough Council were not completed for the reasons set out in the disclaimers of opinion on those financial statements dated 3 December 2024 and 26 February 2025 respectively.

Matters on which we report by exception

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

We report to you if:

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

- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 (as amended)
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014 (as amended)

We have nothing to report in these respects.

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

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

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

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

Significant weaknesses in arrangements In relation to governance

Audit Report – 2024/25 (cont'd)

Disclaimed Audit Report 2024/25

Our opinion on the financial statements

Our judgement on the nature of the weakness identified:

The Regulator of Social Housing inspected Wandsworth Borough Council in November 2024 to assess compliance with new consumer standards. The review involved a range of documents and reports submitted by the council. In February 2025, after concluding its inspection, the Regulator found serious shortcomings, particularly regarding Safety and Quality, including outdated electrical tests for most communal areas and homes, and 1,800 overdue fire safety actions. As a result, Wandsworth received a C3 grade, indicating significant improvement is required.

The report provided evidence of weaknesses in the Council's arrangements, including the approach to assessing stock quality not being fit for purpose, insufficient oversight of electrical testing and other health and safety measures, poor contract management and a lack of proactive monitoring and reporting.

The evidence on which our view is based:

London Borough of Wandsworth: Regulatory Judgement: 26 February 2025

Interim Update on the Regulatory Inspection Paper (Paper No. 25-133) presented at the Housing Overview and Scrutiny Committee in April 2025

Regulator of Social Housing Inspection Report Update Paper (Paper No. 25-188) presented at the Housing Overview and Scrutiny Committee in June 2025

The impact on the local body (or the possible future impact):

The Council cannot show it is currently meeting the Regulator of Social Housing's Safety and Quality Standard. If the Council does not implement actions to deliver the improvements needed, risks to tenants may not be adequately managed and mitigated.

In addition, we note that, the serious failings in delivering the outcomes of the consumer standards, particularly regarding the Safety and Quality Standard, are likely to affect the Council's reputation locally, within the wider sector and with key stakeholders. In response to the critical report, the Council will be subject to a period of intensive increased scrutiny and will require additional resources to address the issues raised. To support these remediation efforts, the Council has allocated an additional £917,353 over five years in its Housing Revenue Account Business Plan.

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

The Council has taken action to address the findings of the Regulator, including:

- monthly meetings with the Regulator with an improvement tracker to demonstrate progress in the areas for improvement
- moving to a five-year cycle of full surveys for all tenanted homes, with system improvements underway to ensure data accuracy, with £917,353 built into the Housing Revenue Account Business Plan over five years
- enhanced monitoring and reporting in contract management for electrical testing and health and safety with all health and safety measures reported twice yearly to the Housing Committee and quarterly to residents through area housing panel reports; and
- inclusion of tenant satisfaction data in the annual report.

Audit Report – 2024/25 (cont'd)

Disclaimed Audit Report 2024/25

Our opinion on the financial statements

The Council needs to deliver the agreed actions to address the issues raised by the Regulator, to comply with relevant legal and regulatory requirements and ensure tenant safety.

This is evidence of significant weaknesses in arrangements for governance, specifically how the Council monitors and assesses risk and how it gains assurance over the effective operation of internal controls.

Responsibility of the Executive Director of Finance

As explained more fully in the Statement of Responsibilities set out on page 11, 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. 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 responsibility is to conduct an audit of the Group and the Council's financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor's report.

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

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

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

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

Audit Report – 2024/25 (cont'd)

Disclaimed 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 Wandsworth Borough Council 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 Wandsworth Borough Council 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 Wandsworth Borough Council. We are satisfied that this work does not have a material effect on the financial statements or our work on value for money arrangements. 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 Wandsworth Borough Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 (as amended) and for no other purpose, as set out in paragraph 85 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Group and the Group'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
23 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

We highlight below the corrected misstatements identified during the course of our audit which were either greater than our reportable threshold of £10.8 million, or which we considered appropriate to bring to your attention due to their nature and significance:

➤ Property, Plant and Equipment Additions

As part of our testing of Property, Plant and Equipment additions, we identified that the Council had incorrectly capitalised to Council Dwellings the £18.5 million related to the Winstanley and York Road Regeneration LLP purchase. This expenditure represents a long-term debtor and should therefore be reclassified from Property, Plant and Equipment to Long-Term Investments. The mis-classification has been corrected in the financial statements.

➤ Property, Plant and Equipment Classification

As part of our testing of Property, Plant and Equipment disposals, we identified an incorrect disposal of an asset valued at £9.45 million. This error arose due to a mis-classification in the asset disposal spreadsheet, which led to an incorrect disposal journal being posted. The asset was not disposed of and should have been retained and reclassified as Asset Under Construction. This has been corrected in the financial statements.

As part of our Property, Plant and Equipment valuation testing, we identified a misclassification relating to Broadwater Primary School, which was split between Operational Property, Plant and Equipment (£16 million) and Assets Under Construction (£37.06 million). Following a prior year audit finding, the school was correctly classified as Asset Under Construction as at 31 March 2024 through a post-audit adjustment. However, in 2024/25, part of the asset was incorrectly reclassified as operational. This mis-classification led to an inappropriate downward revaluation of £3.3 million being recorded in 2024/25. The asset should be reclassified to Asset Under Construction, and the downward revaluation should be reversed. This has not yet corrected but management has agreed to correct this misstatement.

➤ Loan write off Adjustments in Winstanley and York Road Regeneration (WYR) Accounts communicated by PWC:

PWC has communicated an adjustment of £73m in the income and expenditure account related to write off of loans. This has been accurately reflected in the WYR audited statement of accounts.

Audit Differences

Summary of adjusted differences (Cont'd)

Disclosures misstatements:

We have identified the following disclosure misstatements:

- > We identified an understatement of £23 million on the debtor balance in the Financial instrument (Note 20) .This was due to certain debtor balances, which meet the definition of financial assets, not being included in the note. This is a disclosure misstatement only.
- > We identified three instances in our testing of Exit package (Note 36) where in two cases the severance payment balances were understated by a total of £11.8k, and in one case, overstated by £7.2k. Additionally, the number of employees disclosed within the £60,001-£80,000 banding was incorrectly stated as one, whereas it should have been two.
- > We have identified the following within the officers' remuneration Note (Note 36).
 - For one senior employee, the split of pension contributions between Wandsworth and the London Borough of Richmond upon Thames was incorrectly disclosed.
 - For another senior employee, there was an understatement of £2.4k in the salary figure when compared to the payslip records.
 - 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 has been corrected in the financial statements. Uncorrected mis-statements above our clearly trivial threshold of £1.1m are mentioned in section O1 above and the impact of those misstatements is detailed in the following page. As the audit is still in progress it is possible that further mis-statements may be identified. We will provide a verbal update at the Audit Committee meeting on 12 November.

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 Committee and provided within the Letter of Representation:

	Effect on the current period		Net assets (Decrease)/Increase				Equity Debit/(Credit)
	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)	
Uncorrected misstatements 31 March 2025 (Currency'000)							
Errors							
<u>Known differences:</u>							
➤ Pension Liability: Understatement in London pension Fund Authority (LPFA) Investment asset and Wandsworth Pension Fund	(1,249)					1,249	
➤ Creditors: Missed accrual for 24-25		2,165			(2,165)		
➤ PPE Additions: Overstatement in asset balance				(1,474)			1,474
➤ CIL Income: Overstatement in asset balance due to PY correction		8,967					(8,967)
<u>Judgemental differences:</u>							
➤ Investment Asset valuation : Overstatement in asset balance due to differences in yields assumption	2,986			(2,986)			
<u>Projected differences:</u>							
▶ Creditors: Overstatement in liability		(3,320)			3,320		
▶ Grant Income- Overstatement in income due to recognition of 23/24 invoices		2,812					(2,812)
▶ Housing Benefit- Overstatement in debtor due to recognition of balances already received		3,926	(3,926)				
Balance sheet totals			(3,926)	(4,460)	1,155	1,249	
Income effect of uncorrected misstatements (before tax)	(1,737)	14,550					(10,305)
Cumulative effect of current year uncorrected misstatements before turnaround effect in current year	(1,737)	14,550	(3,926)	(4,460)	1,155	1,249	(10,305)

Audit Differences (cont'd)

Summary of unadjusted differences (Cont'd)

Uncorrected misstatements 31 March 2025 (Currency'000)	Effect on the current period		Net assets (Decrease)/Increase				Equity Debit/ (Credit)
	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)	
Errors							
<u>Factual differences:</u>							
➤ Interest Income: Overstatement in WYRR Interest Income		1,075					
<u>Projected differences:</u>							
➤ System Creditors: Projected misstatement of sample		(2,233)					
<u>Judgemental differences:</u>							
▶ PPE Valuation: Overstatement in Northcote Library valuation	2,606						
Cumulative effect of uncorrected misstatements, after turnaround effect	869	13,392	(3,926)	(4,460)	1,155	1,249	(10,305)

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 could have on the financial statements, Since they have been corrected in prior period, they have a carry forward impact on following years income and expenditure.



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;
- 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 2024	0	2	3	5
Closed during FY24/25	0	2	0	2
New points raised in FY24/25	0	0	1	1
Total open points as at March 25	0	0	4	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- (Rolled from PY i.e. 23/24)</p> <p>We observed that 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>Agreed and complete in line with prior feedback in November 2025.</p>
<p>System Creditors Cut-off- (Rolled from PY i.e. 23/24)</p> <p>We observed the instances where the recording of goods received in the system has been aligned with the purchase order details instead of being based on the actual evidence of the receipt of goods which led to an overstatement of creditor balances, as not all items listed in the purchase orders have been physically received in FY24-25. If creditors are recorded in the wrong period, it can lead to inaccuracies in the balance sheet and income statement. Liabilities and related expenditure may be overstated if the creditors were recorded too early.</p>		L		<p>We recommend a thorough management review of the process for the assessment of year-end creditor balances, ensuring that the liabilities recorded are a true representation of the goods actually received.</p>	<p>During FY 24/25 System creditors testing, we have identified similar instances where the creditors were recognized based on the purchase order rather than actual evidence of the receipts of goods</p>	<p>Partially agreed. The Council has a robust methodology for estimating accruals which can on rare occasions include using remaining values of contracts where the final invoice has not arrived and there is no other source of estimation. Revisited accrual guidance was comprehensively reviewed in 2025 and circulated to finance staff in December 2025.</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>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.
<p>Lack of formal review of journals posted in the intervening period between the change in ownership and the year end- New in FY 24/25</p> <p>No formal review of journals posted in the subsidiary (Winstanley and York Road Regeneration LLP) financial statements in the intervening period between the change in ownership and the year end. The lack of formal review of journals increases the risk that errors or omissions may go undetected.</p>	L			We recommend that management implement a formal review process for all journals posted for Winstanley and York Road Regeneration LLP after the change in ownership	N/A- New observation in FY 24/25	Partially agreed. All transactions for WYR, including journals follow the council's own processes and controls which are robust.

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 Wandsworth Borough Council 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 Wandsworth Borough Council 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 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	353,257	325,951
Proposed scale fee variation	TBD Note 2	157,776 Note 1
Total audit	TBC	483,727
Other non-audit services not covered above	-	-
Total non-audit services	0	0
Total fees	TBC	483,727

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
- Impact of lower materiality used for 2023/24
- Use of internal specialists to provide assurance over PPE/IP/Pension valuations
- Build back of assurance in 2023/24
- Work to address PPE significant risk
- Work to address Pensions inherent risk
- Increased FRC Challenge
- 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
- Risk of significant weakness identified in respect of Winstanley York Road LLP

Once PSAA have determined the final fee variation, we will confirm the amount in final audit results report.

(2) The 2024/25 work is complete. We will finalise final 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.

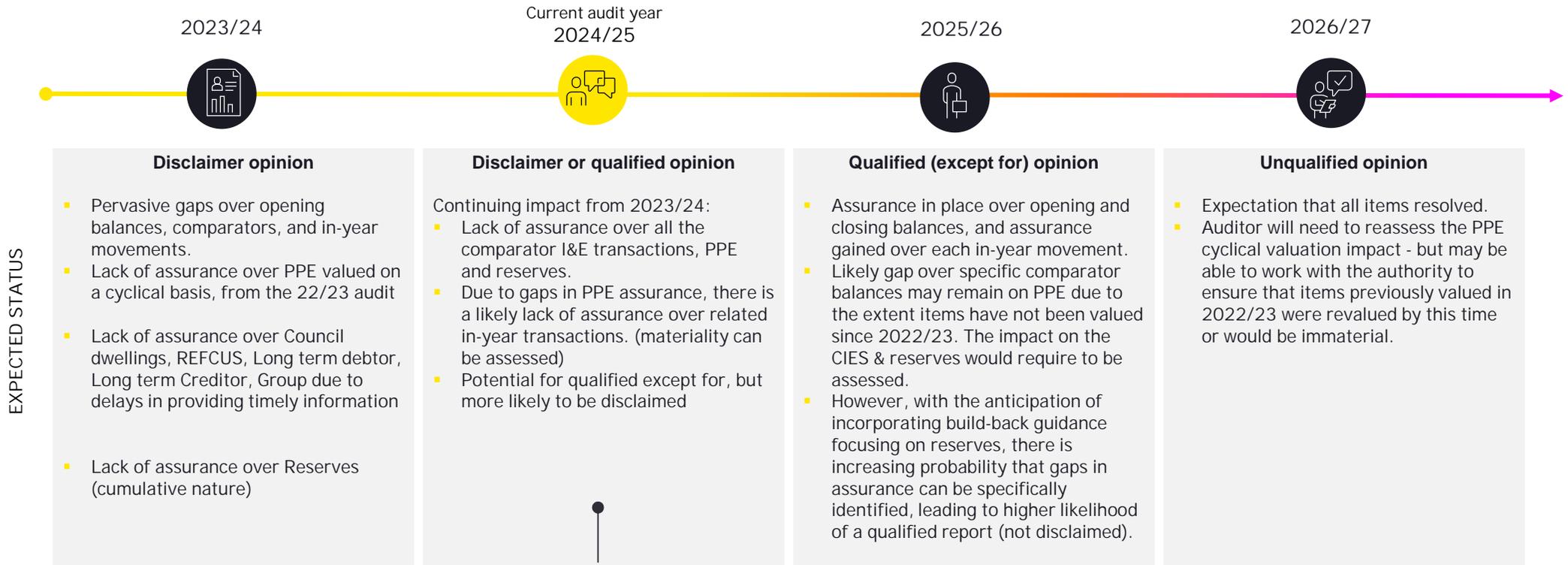


09 Appendices

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.



CURRENT AUDIT STATUS OF WANDSWORTH BOROUGH COUNCIL

- The Council's progress is in line with the expected timescales for rebuilding assurance set out in LARRIG 01.
- The main areas where further assurance is necessary to rebuild assurance are valuation of property, plant and equipment, council dwellings, REFCUS, assurance over Income & Expenditure entries relating to PPE, assurance over grants received in advance balances and assurance over reserves.
- Appendix B sets out in more detail the assurance we have gained by accounts area.

Appendix B – Updated summary of assurances

Summary of Assurances

The table below summarises the audit work we have completed on the 2023/24 and on 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') excl Council Dwellings and Infrastructure Assets	Partial	Substantial	We have completed testing of the 2023/24 and 2024/25 additions and disposals to the fixed asset register, audited the valuation of a sample of assets revalued in 2023/24 and 2024/25 and performed procedures to obtain assurance over the existence of assets on the fixed asset register and the Council's right to recognize those assets.
Council Dwellings	None	Partial	In 2023/24 we were not able to obtain assurance over the closing balance of council dwellings due to the accounting treatment of council dwellings additions. The Council has not provided the detailed analysis on opening balance (PY Additions) therefore we don't have assurance over the closing balance. We understand that work is currently underway to provide assurance over prior year balances. However, this work is not expected to be completed by the end of 2024/25, and therefore we are unable to obtain full assurance over the current balance. As a result, this matter will be reviewed by EY as part of the 2025/26 audit.
Infrastructure	Partial	Partial	We have completed the testing of additions and depreciation of this asset category. We are not able to complete testing on existence of infrastructure asset balance as of 31 March 2025. This is a sector wide issue due to code change deferral. Therefore, We are unable to obtain full assurance over the balance of the asset category as at 31 March 2025.
Investment Property	Substantial	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
Long Term Investments	Substantial	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
Long Term Debtors	Partial	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
Short Term Investments	Substantial	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
			In prior year, Long term debtor balance has JV loan notes on which we have no assurance which are reversed in 2024/25.

Appendix B – Updated summary of assurances

Summary of Assurances (continued)

Account area	Assurance rating 2023/24	Assurance rating 2024/25	Summary of work performed
Short Term Debtors	Substantial	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
Cash and Cash equivalents	Substantial	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
Creditors (long term)	Partial	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025. In prior year we have JV CPO balance of £38m on which we have no assurance which are reversed in 2024/25.
Creditors (short term)	Substantial	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
Borrowings (short and long term)	Substantial	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
Provisions (short and long term)	Substantial	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
Grants received in advance	Substantial	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
Local Government Pension Scheme Liability- Wandsworth Pension Fund	Substantial	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
Local Government Pension Scheme Liability- LPFA	None	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025. In prior year, we do not have assurance over the inputs to the triennial valuation of LPFA, nor the Council's share of pension assets within the Fund at 31 March 2023.
Collection Fund	Substantial	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
Housing Revenue Account	Partial	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.

Appendix B – Updated summary of assurances

Summary of Assurances (continued)

Account area	Assurance rating 2023/24	Assurance rating 2024/25	Summary of work performed
Comprehensive Income and Expenditure Statement excl REFCUS, Employee Cost and Housing Service Expenditure	Partial	Partial	We completed our planned testing on the Comprehensive Income and Expenditure Statement in 2023/24 and 2024/25 but, as we do not have full assurance over income and expenditure entries relating to PPE and intangible assets, we are unable to obtain assurance that all of the in-year movements recorded in the statement are accurate. This limitation arises because prior year financial statements were subject to disclaimer opinions, which affects the opening balances and related movements.
Employee Cost and Housing Service Expenditure	Substantial	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025. In prior year, We have completed our planned audit procedures in this area over 2 years i.e 22/23 and 23/24 and therefore obtained substantial assurance on current year expenditure.
REFCUS-	None	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the in-year transactions of FY 2024/25.
All Other Disclosures exc Housing Revenue Account Statement	Partial	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
Reserves	None	None	We have completed our work on the movements in the 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.
Group Accounts	None	Substantial	We have completed our planned audit procedures relating to the involvement of the component auditor. We are awaiting further information from management regarding consolidation workings. Based on current progress, we anticipate completing all remaining procedures in this area and obtaining substantial assurance.

Appendix C – Required communications with those charged with governance

Required communications with those charged with governance

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

		Our Reporting to you
Required communications	What is reported?	When and where
Terms of engagement	Confirmation by the audit committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	PSAA Terms of Engagement
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Audit Planning Report presented at the Audit Committee meeting on 09 July 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>	<p>Audit Planning Report presented at the Audit Committee meeting on 09 July 2025</p> <p>Final Audit Results Report issued at the completion of the audit on 20th February 2026</p>
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 Audit results report presented at the Audit Committee meeting on 12 November 2025</p> <p>Final Audit Results Report issued at the completion of the audit on 20th February 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
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 Audit results report presented at the Audit Committee meeting on 12 November 2025</p> <p>Final Audit Results Report issued at the completion of the audit on 20th February 2026</p>
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 Audit results report presented at the Audit Committee meeting on 12 November 2025</p> <p>Final Audit Results Report issued at the completion of the audit ON 20TH February 2026</p>
Fraud	<ul style="list-style-type: none"> ▪ Enquiries of the audit 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 Committee responsibility. 	<p>This Audit results report presented at the Audit Committee meeting on 12 November 2025</p> <p>Final Audit Results Report issued at the completion of the audit on 20th 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 Audit results report presented at the Audit Committee meeting on 12 November 2025</p> <p>Final Audit Results Report issued at the completion of the audit on 20th 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 Audit results report presented at the Audit Committee meeting on 12 November 2025</p> <p>Final Audit Results Report issued at the completion of the audit on 20th 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>▪ EY Comment- We were not able to obtain direct bank confirmation on one of the school bank account from Royal Bank of Scotland neither we are able to perform alternative procedures to obtain assurance over this particula bank balance. However, the amount is £70k which is below the threshold hence not material.</p>	<p>This Audit results report presented at the Audit Committee meeting on 12 November 2025</p> <p>Final Audit Results Report issued at the completion of the audit on 20th 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 committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of 	<p>This Audit results report presented at the Audit Committee meeting on 12 November 2025</p> <p>Final Audit Results Report issued at the completion of the audit on 20th 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 Audit results report presented at the Audit Committee meeting on 12 November 2025</p> <p>Final Audit Results Report issued at the completion of the audit on 20th February 2026</p>

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

Required communications	What is reported?	Our Reporting to you
		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 Committee meeting on 09 July 2025</p> <p>This Audit results report presented at the Audit Committee meeting on 12 November 2025</p> <p>Final Audit Results Report issued at the completion of the audit on 20th 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 Audit results report presented at the Audit Committee meeting on 12 November 2025</p> <p>Final Audit Results Report issued at the completion of the audit on 20th 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 Audit results report presented at the Audit Committee meeting on 12 November 2025</p> <p>Final Audit Results Report issued at the completion of the audit on 20th 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 Audit results report presented at the Audit Committee meeting on 12 November 2025</p> <p>Final Audit Results Report issued at the completion of the audit on 20th 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 issued at the completion of the audit on 20th February 2026</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 Wandsworth Borough 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 Wandsworth Borough 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, and provided you full access to information and any internal investigations relating to, all instances of identified or suspected non-compliance with laws and regulations, including fraud, known to us that may have affected the Group or Authority (regardless of the source or form and including, without limitation, allegations by "whistle-blowers"), including non-compliance matters:
 - Involving financial improprieties
 - Related to laws or regulations that have a direct effect on the determination of material amounts and disclosures in the consolidated and parent Authority financial statements
 - Related to laws or regulations that have an indirect effect on amounts and disclosures in the consolidated and parent Authority financial statements, but compliance with which may be fundamental to the operations of the Group and Authority's business, its ability to continue in business, or to avoid material penalties
 - Involving management, or employees who have significant roles in internal control, or others

- In relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations . 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.

Appendix F – Management representation letter

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Management Rep Letter

5. We believe that the methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that is in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25. .
 6. We have disclosed to you, and the Group and Authority has complied with, all aspects of contractual agreements that could have a material effect on the consolidated and parent Authority financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
 7. From the date of our last management representation letter dated 24 February 2025 through the date of this letter we have disclosed to you, to the extent that we are aware, any (1) unauthorized 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 unauthorized 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.

Appendix F – Management representation letter

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Management Rep Letter

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 sheets, 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 sheets.

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 19 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.

Appendix F – Management representation letter

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5. We confirm that appropriate specialized 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 Worrall - Chairman of the Audit Committee)

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