LONDON FIRE BRIGADE

LFC-26-052

Audit Planning Report 2025/26

Report to:	**Date:**
Investment & Finance Board	25 June 2026
Commissioner's Board	7 July 2026
Audit Committee	23 July 2026

Report by:

Catharine Gregory, Assistant Director of Finance

Report classification:

For decision

For publication

Values met

Service
Integrity
Teamwork
Courage
Learning

PART ONE

Non-confidential facts and advice to the decision-maker

Executive summary

This report presents the London Fire Commissioner's Audit Planning Report 2025/26 to provide the Investment and Finance Board with oversight of the plan for the external audit of the 2025/26 statement of accounts.

The LFC's external auditors, Ernst & Young LLP, are required to agree a plan for auditing each year's Statement of Accounts prior to commencement of the audit. The Commissioner's Board is responsible for approving that plan.

Recommended decision

For the London Fire Commissioner

That the Commissioner approves the 2025/26 External Audit Plan at Appendix 1 to this report.

1 Introduction and background

1.1 The National Audit Office issued Local Audit Reset and Recovery Implementation Guidance ("LARRIG") 05 on 10 September 2024, setting out how auditors of relevant local public bodies (including local authorities and fire authorities) can get back to being able to issue audit opinions on financial statements, with sufficient audit evidence. This process will take several years to achieve and will require authorities and auditors to work together.

1.2 This follows a sector-wide delay in publishing audited financial statements by local bodies which had reached an unacceptable level. As a result, The Ministry for Housing, Communities and Local Government ("MHCLG") collaborated with the Financial Reporting Council and other system partners to develop and implement measures to address the backlog. SI 2024/907, along with the NAO Code and the aforementioned LARRIG, was created to ensure auditor compliance with International Standards on Auditing.

1.3 The London Fire Commissioner's ("LFC") external auditors, Ernst & Young LLP ("EY"), are responsible for ensuring a consistent approach to restore assurance for disclaimed periods in line with guidance from the National Audit Office ("NAO") and Financial Reporting Council ("FRC").

1.4 In February 2025, responsibilities for leadership of the local audit system transferred from the FRC back to MHCLG. Therefore, since the 2023/24 statement of accounts, "backstop dates" have been set to prevent a recurrence and to allow the rebuilding of assurance over multiple audit cycles. The backstop date for the audit of the 2024/25 financial statements was 27 February 2026, which the London Fire Commissioner ("LFC") met. EY audited the 2024/25 closing balance sheet

and in-year transactions, similar to approach for 2023/24; LFC received a qualified opinion (the best outcome available) as the auditors were not able to obtain reasonable assurance over all closing balances, due to the absence of an audit in 2022/23. The goal for 2025/26 is to continue on this positive trajectory and obtain an unqualified opinion. This will depend on a successful audit process this year, coupled with gaining sufficient assurance on prior period reserves positions, to be able to confirm opening balances.

1.5 The backstop date for the audit of the 2025/26 financial statements is 31 January 2027, with draft financial statements to be published on or before 30 June 2026. The LFC is currently on track to meet both these deadlines, with the approval of the final accounts currently planned for November 2026, well in advance of the backstop date.

1.6 The lessons learnt, which will drive the necessary improvements, can be summarised as follows:

- building on the successes of 2024/25
- making sure that predictable requirements are prepared in advance
- clear and current documentation of processes
- clear expectations of what constitutes good-quality audit evidence and working papers
- face-to-face engagement with auditors, supported by regular office attendance
- improved corporate communications about deadlines and, more broadly, the message that audit concerns and involves the whole organisation, not just Finance

1.7 Further updates on restoring assurance for the historical position will be provided as guidance is issued and its implications for the London Fire Commissioner are evaluated.

2 Audit planning report 2025/26

2.1 The audit planning report ("the plan") proposed by EY for the audit of the 2025/26 Statement of Accounts is attached at Appendix 1. In addition to Investment and Finance Board and Commissioner's Board, it will be presented to the Audit Committee to provide an opportunity to review the proposed audit approach and scope for the 2025/26 audit, in accordance with the requirements of the Local Audit & Accountability Act 2014, the National Audit Office's 2020 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments Ltd, auditing standards and other professional requirements.

2.2 The plan shares the audit strategy, the focus of the external audit work, an acknowledgement of the risks to the successful completion of the audit, and the preparation required. It enables EY to:

- provide an overview of the 2025/26 audit strategy
- set out the scope, key responsibilities and approach
- describe significant audit risks and the risk assessment process
- highlight any changes to the requirements of the auditor
- outline the approach to, and limits of, materiality
- set out the proposed audit timeline
- advise on the membership and make-up of the audit team allocated to LFC's accounts
- outline the process for reporting back to the LFC, as the corporation sole charged with governance, on their work

2.3 The plan also provides fee information. For 2025/26, there may well be fees in addition to the scope of the Public Sector Auditor Appointments ("PSAA") scale fees. These will be driven by the need for build back work and the fact that the LFC has, since the balance sheet date of the last audit, introduced two new systems, SAP and iTrent, which will necessitate additional testing.

2.4 The fee ranges will be based on EY's experience of the work required to address these and other issues and is expected to be in line with fee variations to be submitted to PSAA for any such work at other audited bodies.

3 Responsibilities of management and those charged with governance

3.1 The London Fire Brigade's Section 127 Officer (Director for Corporate Services and, in the context of the audit, formally identified as "management") is responsible for preparing the financial statements in accordance with proper practices and confirming they give a true and fair view at the 31 March 2026.

3.2 To complete the audit in a timely and efficient manner, it is essential that the financial statements are supported by high-quality working papers and audit evidence, and that resources are available to support the audit process within agreed deadlines. Notably, aside from the backstop date for the publication of the final audited Statement of Accounts (31 January 2027), we are required to publish a draft Statement of Accounts on or before 30 June 2026, along with a formal audit inspection publications notice, which sets out the rights of members of the public to inspect the draft Statement of Accounts and the underlying evidence.

3.3 The LFC (a corporation sole and therefore, in the context of the audit, formally identified as "those charged with governance") has an essential role in ensuring that it has assurance over both the quality of the financial statements and the London Fire Brigade's wider arrangements to support the delivery of a timely and efficient audit.

4 Value for Money

4.1 In addition to auditing the Statement of Accounts, the external auditors are required to assess the arrangements in place to ensure Value for Money (VfM). This is a yearly activity, taking place even in 2022/23, when no audited Statement of Accounts was published.

4.2 For 2024/25, their judgment on VfM (as per page 23 of their appended plan) was as follows:

4.3 "Based on the work performed, the Authority had proper arrangements in place in 2024/25 to plan and manage its resources to ensure it can continue to deliver its services. Whilst internal arrangements are sound, the ongoing pressure in relation to Financial Sustainability continues to get more acute and requires ongoing review and governance, as well as close dialogue with Mayor and GLA."

4.4 In the same section of the plan, they have identified a significant risk in this area (due to declining reserves, potential future increase in borrowings and a declining cash forecast) and will test accordingly.

4.5 The NAO requires auditors to structure their commentary on VfM arrangements under the following three specified reporting criteria:

- **financial sustainability** – the risk that LFC cannot effectively plan and manage its resources to meet financial pressures
- **governance** – the risk that LFC has not made informed decisions and is not effectively managing its risks, and
- **improving economy, efficiency and effectiveness** – the risk that LFC is not using its cost and performance data to improve the way it manages and delivers services

4.6 The plan sets out how the arrangements in place to ensure VfM will be assessed.

5 Values comments

5.1 The LFC notes the Fire Standards Board requirements around adopting and embedding the Core Code of Ethics at an individual and corporate level. Following extensive engagement, the LFC has introduced Brigade values which build on and do not detract from the Code of Ethics. This report demonstrates the Brigade values as follows:

- **Service: we put the public first** – published accounts with an appropriate audit opinion build public and corporate confidence in LFB and allow us to see through our corporate aspirations without adverse scrutiny or challenge

- **Integrity: we act with honesty** – good-quality, audited accounts demonstrate our commitment to be transparent on our financial performance

- **Teamwork: we work together and include everyone** – external audit involves teams from across the organisation, inside and outside Finance, working towards a common goal

- **Equity: we treat everyone fairly according to their needs** – not directly addressed in this report

- **Courage: we step up to the challenge** – we set out our performance honestly

- **Learning: we listen so that we can improve** – we embrace lessons learnt and use prior-year information to improve performance going forwards

6 Equality comments

6.1 The LFC and the Deputy Mayor for Planning, Regeneration and the Fire Service are required to have due regard to thePublic Sector Equality Duty (section 149 of the Equality Act 2010) when taking decisions. This in broad terms involves understanding the potential impact of policy and decisions on different people, taking this into account and then evidencing how decisions were reached.

6.2 It is important to note that consideration of the Public Sector Equality Duty is not a one-off task. The duty must be fulfilled before taking a decision, at the time of taking a decision, andafter the decision has been taken.

6.3 The protected characteristics are: age, disability, gender reassignment, pregnancy and maternity, marriage and civil partnership (but only in respect of the requirements to have due regard to the need to eliminate discrimination), race (ethnic or national origins, colour or nationality), religion or belief (including lack of belief), sex, and sexual orientation.

6.4 The Public Sector Equality Duty requires decision-takers in the exercise of all their functions, to have due regard to the need to:

- eliminate discrimination, harrassment and victimisation and other prohibited conduct
- advance equality of opportunity between people who share a relevant protected characteristic and persons who do not share it
- encourage persons who share a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.

6.5 The steps involved in meeting the needs of disabled persons that are different from theneeds of persons who are not disabled include, in particular, steps to take account of disabled persons' disabilities.

6.6 Having due regard to the need to foster good relations between persons who share a relevant protected characteristic and persons who do not share it involves having dueregard, in particular, to the need to:

- tackle prejudice
- promote understanding.

6.7 An Equality Impact Assessment has not been completed as this report requires no decisions and only sets out the financial position of the LFC as part of the annual budgetary and audit processes of the LFC.

7 Other considerations

Workforce comments

7.1 No workforce implications have been identified therefore no formal consultation has been undertaken.

Sustainability comments

7.2 There are no direct sustainability implications arising from this report.

Procurement comments

7.3 There are no direct procurement implications arising directly from this report.

Communications comments

7.4 There are no direct communications implications arising directly from this report.

8 Financial comments

8.1 This report is prepared by the Assistant Director – Finance and, as such, financial comments have been incorporated into the report.

9 Legal comments

9.1 Under section 9 of the Policing and Crime Act 2017, the London Fire Commissioner (the "LFC") is established as a corporation sole with the Mayor appointing the occupant of that office. Under section 327D of the GLA Act 1999, as amended by the Policing and Crime Act 2017, the Mayor may issue to the LFC specific or general directions as to the manner in which the holder of that office is to exercise his or her functions.

9.2 This report asks the LFC to approve the 2025/26 External Audit Plan in accordance with the relevant legislation requirements and attendant guidance, referred to in more detail in the body of this report.

9.3 Under section 127 of the Greater London Authority Act 1999 the LFC is required to make arrangements for the proper administration of its financial affairs. The Director of Corporate Services, as the statutory Chief Finance Officer, under section 127, is the officer who has responsibility for the administration of those affairs.

9.4 The LFC has discretion when making arrangements for the administration of its financial affairs. It must however act reasonably and with regard to all relevant considerations. This includes the professional advice of its Chief Financial Officer and the advice and stated expectations of government and appropriate professional and regulatory bodies as set out in the report.

9.5 Regulation 7 of the Accounts and Audit Regulations 2015 (the "2015 Regulations") provides that a functional body, such as the LFC, is a body required to prepare an annual statement of accounts each year.

9.6 Regulation 27 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (SI 2003/3146) require the LFC to make a minimum revenue provision for that financial year.

9.7 Regulations 3 and 6 (1) of the Accounts and Audit Regulations 2015 require the London Fire Commissioner (LFC) to have sound systems of internal control and to demonstrate this by publishing an Annual Governance Statement (AGS).

9.8 The Accounts and Audit (Amendment) Regulations 2021, 2022 and 2024 have amended the dates for compliance with the 2015 Regulations as set out in this report.

9.9 Paragraph 10 of Part 6 (Financial Regulations) of the LFC's Scheme of Governance sets out how the Director of Corporate Services, as the s127 Chief Financial Officer, will discharge responsibilities in relation to all accounting records.

9.10 The Director for Corporate Services is required by the Commissioner's Scheme of Governance, at part 6, paragraph 10, to; "ensure the Commissioner approves the statement of accounts before 31 July", and "is responsible for the preparation of the Commissioner's statement of accounts." The decisions in this report allow for the Director for Corporate Services to make limited amendments to the approved Statement of Accounts to allow for certification.

9.11 This report, together with the enclosed appendix presented for approval, will ensure all the statutory obligations referred to above and in the body of the report can be discharged in a timely manner.

List of appendices

Appendix	Title	Open or confidential*
1	EY – Audit Planning Report 2025/26	No protective marking

Part two confidentiality

Only the facts or advice considered to be exempt from disclosure under the FOI Act should be in the separate Part Two form, together with the legal rationale for non-publication.

Is there a Part Two form: NO

London Fire Brigade

Audit planning report

Year ended 31 March 2026

29 April 2026

The better the question. The better the answer. The better the world works.

Shape the future with confidence

29 April 2026

London Fire Commissioner
169 Union Street
London
SE1 0LL

Dear Commissioner

Audit planning report 2025/26

We are pleased to attach our audit planning report for the forthcoming meeting of the Commissioner's Board. The purpose of this report is to provide the Commissioner with a basis to review our proposed audit approach and scope for the 2025/26 audit, in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2024 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards, and other professional requirements.

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

We welcome the opportunity to discuss this report with you on 10 June 2026 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Ben Lazarus

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.psaa.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 October 2025)' issued by the PSAA (https://www.psaa.co.uk/managing-audit-quality/contract-monitoring-2023-24-to-2027-28/terms-of-appointment-from-2023-24/terms-of-appointment-and-further-guidance-from-1-october-2025)) sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice 2024 (the NAO Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the **Commissioner and management of London Fire Brigade**. Our work has been undertaken so that we might state to the **Commissioner and management of London Fire Brigade** 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 **Commissioner and management of London Fire Brigade** 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 Overview of our 2025/26 audit strategy

2025/26 audit strategy overview: Rebuilding Assurance

The purpose of this report

As the Authority's body charged with governance, the Commissioner plays a crucial role in ensuring assurance over both the quality of the draft financial statements prepared by management and the Authority's wider arrangements to support a timely and efficient audit. Failure to achieve this will significantly increase the level of resources required to fulfil our respective responsibilities.

As part of our responsibilities, we assess and report on the adequacy of the Authority's external financial reporting arrangements, as well as the effectiveness of the Commissioner in fulfilling his role within those arrangements as part of our Value for Money assessment. 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. Wherever necessary, we will consider invoking other statutory reporting powers to highlight any weaknesses in these arrangements. We direct the Commissioner and officers to the Public Sector Audit Appointment Limited's Statement of Responsibilities (paragraphs 26-28) for expectations on preparing financial statements (see Appendix A).

Our shared strategy to rebuild assurance

We are now in Phase 2 of the implementation of the Ministry for Housing, Communities and Local Government's (MHCLG) measures to address the backlog facing local government audit. Throughout 2023/24 and 2024/25, we have applied a structured, risk-based prioritisation approach to local government audits to support a return to unqualified audit opinions wherever feasible, while still meeting statutory backstop requirements. Our approach recognises that recovery depends heavily on the Authority's own capacity and preparedness and that audit effort must be targeted where it can deliver meaningful assurance.

Management has overall responsibility for leading and sustaining the Authority's recovery from a disclaimed audit opinion. This includes ensuring that the financial statements are prepared in accordance with proper practices and supported by complete, accurate and timely audit evidence.

To deliver this, it is essential that management:

- Strengthen the underlying control environment, particularly in areas linked to prior year audit recommendations.
- Provide high quality working papers and ensure that all audit evidence is complete, consistent and readily accessible.
- Allocate sufficient, knowledgeable resources throughout the audit cycle.
- Actively engage with auditors, promptly addressing findings and resolving weaknesses in financial reporting arrangements.
- Communicate transparently with the Commissioner, as Those Charged with Governance, ensuring that the Commissioner has clear visibility of risks, progress and emerging issues.

In line with the National Audit Office's Local Audit Reset and Recovery Implementation Guidance (LARRIGs) - and specifically the guidance on rebuilding assurance following a disclaimed opinion - management must support the restoration of reliable opening balances and enable a phased progression from disclaimed to qualified and ultimately unmodified audit opinions. Achieving this requires sustained delivery of the "natural rebuild," through the completion of all planned audit procedures across successive annual cycles, alongside targeted work to rebuild assurance over historical balances, including both usable and unusable reserves, where cumulative gaps in evidence present the most significant challenges.

2025/26 audit strategy overview: Rebuilding Assurance

Our shared strategy to rebuild assurance continued

Appendix A explains the expected timeline to full assurance set out within the NAO's LARRIG 01 guidance, along with our assessment of the Authority's status. During 2023/24 and 2024/25, the focus of the rebuild process has been on this "natural" rebuild, to complete all planned audit procedures for each respective audit year. As we set out in Appendix A, as all planned audit procedures for the 2023/24 and 2024/25 audits were completed, the Authority's "natural rebuild" is now well progressed. As part of our interim audit procedures for 2025/26, we will undertake a detailed risk assessment to evaluate the risk of material misstatement in the opening reserves balances at 1 April 2025, and to assess management's readiness to support the historic rebuild process over transactions and balances in 2022/23 that were not subject to audit. This work is expected to be completed by 30 June 2026 and is essential to determining whether the pre-2023/24 gaps in assurance - particularly those relating to reserves and other cumulative balances - can be sufficiently addressed to support future progression towards qualified or unmodified audit opinions.

We will discuss the outcome of our risk assessment of the opening reserves balances with management to confirm our proposed approach for 2025/26. Before we commence our audit procedures, it will be essential for management to have completed the necessary review and reconciliation of both usable and unusable reserves, and to be able to provide assurance to Those Charged with Governance that these balances are accurate, supportable, and properly documented. This reflects management's primary responsibility for preparing the financial statements and the underlying evidence base; the audit process is not the first line of defence.

It is likely that we will need to audit certain transactions and movements from 2022/23 to rebuild assurance over the historic position. Should we proceed with this phase of work, we will require assurances from management that high quality working papers and supporting evidence can be provided for transactions from 2022/23 (and earlier years, where applicable), together with sufficient management capacity to support this historic rebuild without compromising the delivery of all planned procedures in 2025/26 over the closing balances and in year movements.

Preparedness for 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. Our 2024/25 reporting included our assessment of the effectiveness of the Authority's arrangements to support the external audit process across a range of relevant measures (reproduced in Appendix A). We concluded that the Authority was not fully prepared for the audit and that improvements were required in relation to:

- Significant delays in the provision of sufficient, appropriate and quality evidence to support the audit within the agreed timetable.
- High level of inconsistencies between working papers and supporting evidence provided to us when compared to the financial statements submitted for audit.
- The availability of key finance personnel to support the execution phase of the audit in accordance with the agreed project plan.
- Significant levels of disclosure differences showing that insufficient review of the financial statements had occurred.

We will continue to report on our assessment of the quality of the Authority's financial statements' preparation and support, to support ongoing transparency of the audit process to those charged with governance, and to facilitate benchmarking and tracking of progress in future years.

2025/26 audit strategy overview: Rebuilding Assurance

Scope of our audit

In accordance with the NAO Code, our primary objectives are to conduct work that supports the delivery of our audit report to the Authority. Additionally, we aim to ensure that the Authority has established proper arrangements for securing economy, efficiency, and effectiveness in its use of resources, as mandated by relevant legislation and the requirements of the NAO Code. We will issue an Audit Results Report that the summarises our opinion on the financial statements by 30 November 2026 and other procedures required by the Code. This includes our assessment of the control environment, including our follow up of the recommendations that we made in 2024/25 (refer to Appendix C). In addition, our Auditor's Annual Report will conclude on whether the Authority has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources and report a commentary on those arrangements.

Timeline

An audit timetable has been agreed with management. In Section 7 we include a provisional timeline for the audit. It is essential that all parties collaborate to ensure compliance with this timeline.

Our independence considerations

Please refer to Appendix B for our update on independence. We have not identified any independence threats at the time of writing this report.

2025/26 audit strategy overview: Audit risks and materiality

Audit risks and areas of focus

The purpose of our audit is to obtain reasonable assurance to express an opinion about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error.

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Commissioner with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Risk/area of focus	Risk identified	Change from PY	Details
Presumptive risk of management override of controls	Fraud risk	No change in risk or focus	There is a risk that the financial statements as a whole are not free from material misstatement whether caused by fraud or error. We perform mandatory procedures regardless of specifically identified fraud risks.
Risk of fraud in revenue recognition – MFB and other non-grant income	Fraud risk	No change in risk or focus	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 income and expenditure streams and concluded that this risk relates to: • Metropolitan Fire Brigade (MFB) income – MFB Act income recognised in each financial year is a combination of that levied in the previous and current calendar years. Recognition is therefore complex and susceptible to manipulation • Other non-grant income - This is an aggregate of diverse income channels which includes, among other things, compensation from insurance claims and rental income. This encompasses manually imputed financial accruals. These financial accruals often require manual record keeping and can therefore be prone to errors given the high degree of human involvement, thus presents opportunities for potential financial irregularities or fraud. The risk is not attached to grant income and expenditure streams as the risk has been rebutted using ISA 240 principals.
Risk of error in property valuations	Significant Risk	No change in risk or focus	The fair value of Property, Plant and Equipment (PPE) represents a significant balance in the Authority's accounts and is subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end Land & Buildings balances recorded in the Balance Sheet. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.
Provisions for legal obligation	Risk of material misstatement	No change in risk or focus	Management recognise material provisions in relation to legal obligations arising in relation to the public liability. The nature of this estimate means that they are based on uncertain outcomes and are subject to management judgement.

2025/26 audit strategy overview: Audit risks and materiality

Audit risks and areas of focus continued

Risk/area of focus	Risk identified	Change from PY	Details
Valuation of pension assets and liabilities - Fire Fighter Pension Scheme and Local Authority Pension Scheme	Risk of material misstatement	No change in risk or focus	Accounting for the Authority's participation in the Fire Fighter Pension Scheme and Local Authority Pension Scheme involves significant estimation and judgement, including financial and demographic assumptions. There is a risk that the net pension asset/liability recognised is materially misstated, as its recognition and measurement is subject to significant management judgement, including the application of the IAS 19 asset ceiling and the assessment of the Authority's ability to realise future economic benefits. The Authority 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.
IFRS 16	Risk of material misstatement	Decrease in risk	Following the implementation of IFRS 16, the Authority recognises Right-of-Use (ROU) assets and corresponding lease liabilities that are material to the financial statements. Taking into consideration the material corrected and uncorrected misstatements identified during the 2024./25 audit, there is a risk that these balances are not appropriately accounted for and valued in accordance with IFRS 16. The application of IFRS 16 requires significant judgement in identifying lease arrangements, determining lease terms, estimating incremental borrowing rates, and accounting for lease modifications and reassessments. These judgements directly impact the initial and subsequent valuation of ROU assets and lease liabilities. In addition, ROU assets are subject to depreciation and impairment assessments, which rely on Management assumptions and estimates and may materially affect year-end carrying values. Given the volume and complexity of lease arrangements, the judgement involved in determining key valuation inputs, and the ongoing requirement to update lease data, there is a risk that ROU assets and lease liabilities are not completely or accurately identified, measured, or re-measured. This may result in material misstatement of the valuation of ROU assets, lease liabilities, related depreciation and impairment charges at year end.
Implementation of new finance and payroll systems	Risk of material misstatement	New risk	The Authority implemented a new financial system, SAP, and a new payroll system, iTrent, for the 2025/26 audit year. This gives rise to a risk as this has a potential to impact all account balances if data migration was not completed correctly. At the planning stage of the audit, we have identified differences between the prior year closing values to the opening balances in the new SAP system, this is currently under investigation by management. We will continue to assess the risk as we complete our audit procedures, including assessing managements investigation on the opening balances, during which we will consider if the risk requires further evaluation.

2025/26 audit strategy overview: Audit risks and materiality

Materiality

Planning materiality
£14.2m

Materiality has been set at £14.2m, which represents 2% of total Expenditure in 2024/25, 2024/25, which is in the same basis as in the prior year.

Performance materiality
£7.1m

Performance materiality has been set at £7.1m, which represents 50% of materiality.

Audit differences
£0.07m

We will report all uncorrected misstatements relating to the income statement and balance sheet that have an effect on income and misstatements in the CIES over £0.07m. Other misstatements identified will be communicated to the extent that they merit the attention of the Commissioner.

2025/26 audit strategy overview: Value for Money

Our risk assessment

Under the NAO Code we are required to:

- Satisfy ourselves that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources, having regard to NAO AGN 03.
- Design work to provide sufficient assurance to support reporting against the Code's specified reporting criteria outlined below; and
- Apply a risk-based approach to our work, informed by sector knowledge, the annual governance statement, evidence from the financial statements audit and relevant work of other bodies.

In undertaking our risk assessment, we obtain an understanding of the key processes the Authority has in place, including financial management, risk management and partnership working arrangements. Our [Auditor's Annual Report], which will be issued before 30 November 2026 will include a summary of our commentary on the arrangements in place against each of the three value for money criteria and recommendations raised as a result of any significant weaknesses identified. A key part of our work will be the follow up of previous recommendations to provide the Committee with assurance on the pace of planned improvements.

	 **Financial sustainability**	 **Governance**	 **Improving economy, efficiency and effectiveness**
	How the Authority plans and manages its resources to ensure it can continue to deliver its services.	How the Authority ensures that it makes informed decisions and properly manages its risks.	How the Authority uses information about its costs and performance to improve the way it manages and delivers its services.
Risks of significant weaknesses in arrangements identified in 2025/26:	There have been increased challenges in delivering a balanced budget in recent years. Whilst a balanced budget has been set in 2026/27, this was only achieved through £6.1m of savings plans, £8.9m additional Mayoral funding and £3.3m deferral of staff training. Based on work completed during the 2024/25 audit, we noted the London Fire Brigade's declining reserves balances, potential future increase in borrowings and a declining cash forecast through to 2027 A budget gap of £9.6m expected in 2027/28. We have therefore identified a significant risk in this area and will complete appropriate procedures to conclude whether arrangements are appropriate.	In recent years, we have experienced some issues and delays in the provision of audit evidence and some errors and overruns. With tightening statutory backstop dates and the implementation of new finance systems, there is a risk that the authority's quality assurance arrangements and finance capacity may be insufficient to support timely and efficient audit delivery.	**Findings from External Bodies** The London Fire Brigade had outstanding recommendations from the following two inspections at the date of issuing our 2024/25 Auditors Annual Report in February 2026: ▪ Grenfell Tower Inquiry (Phase 2 report). ▪ HMI values and culture Good progress has been made to develop action plans in response to these inspections. However, the Brigade continues to progress its transformation agenda and report progress against each of these actions on a regular basis to both the Home Office and the Mayor of London. There is a risk that the Brigade does not have the appropriate resource and capabilities to address all recommendations which could expose the organisation to risks in the future

2025/26 audit strategy overview: Value for Money

	Financial sustainability How the Authority plans and manages its resources to ensure it can continue to deliver its services.	Governance How the Authority ensures that it makes informed decisions and properly manages its risks.	Improving economy, efficiency and effectiveness How the Authority uses information about its costs and performance to improve the way it manages and delivers its services.
Recommendations identified in 2024/25 (refer to Appendix C):	Whilst internal arrangements are sound, the ongoing pressure in relation to Financial Sustainability continues to get more acute and requires ongoing review and governance, as well as close dialogue with Mayor and GLA. To maintain financial sustainability, we recommend this is kept as one of the highest priorities for LFC, both in terms of the implementation and monitoring of the transformation and savings programmes but also in respect of external lobbying regarding funding levels.	▪ None	▪ None

02 Audit risks

Our response to significant risks

We have set out the significant risks (including fraud risks denoted by*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

Presumptive risk of management override of controls*

What is the risk, and the key judgements and estimates?	Our response: Key areas of challenge and professional judgement
In accordance with ISA 240, the presumptive risk of management override of controls is present at every entity and we design the appropriate procedures to consider such risk. ▪ Management has the primary responsibility to prevent and detect fraud. It is important that management, with the oversight of those charged with governance, has put in place a culture of ethical behaviour and a strong control environment that both deters and prevents fraud. ▪ Our responsibility is to plan and perform audits to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatements whether caused by error or fraud.	In order to address the risks outlined we will carry out a range of procedures including: ▪ Identifying fraud risks during the planning stages. ▪ Inquiry of management about risks of fraud and the controls put in place to address those risks. ▪ Understanding the oversight given by those charged with governance of management's processes over fraud. ▪ Discussing 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). ▪ Considering 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. ▪ Considering the effectiveness of management's controls designed to address the risk of fraud and determining an appropriate strategy to address those identified risks of fraud. ▪ Performing mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements. ▪ Undertaking procedures to identify significant unusual transactions. ▪ Considering whether management bias was present in the key accounting estimates and judgements in the financial statements. Having evaluated this risk, we have considered whether we need to perform other audit procedures not referred to above. We concluded that those procedures included under 'Risk of fraud in revenue recognition' is required.

Our response to significant risks

Risk of fraud in revenue recognition – MFB and other non-grant income*

Financial statement impact	What is the risk, and the key judgements and estimates?	Our response: Key areas of challenge and professional judgement
We have assessed that the risk of misreporting revenue outturn in the financial statements is most likely to be achieved through: ▪ Income being inappropriately recognised in a period that it does not relate too. If this were to happen it would have the impact of overstating revenue within the Comprehensive Income and Expenditure Statement and understating receipts in advance within the balance sheet in respect of MFB income.	ThUnder ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. There are two material revenue streams which are not grant related which we have assessed as at risk of manipulation: 1) Metropolitan Fire Brigade (MFB) Act income and; 2) Other Income. MFB Act income recognised in each financial year is a combination of that levied in the previous and current calendar years. Recognition is therefore complex and susceptible to manipulation. Other Income relates to income from insurance claims, reimbursements, fees and charges. This encompasses manually imputed financial accruals. These financial accruals often require manual record keeping and can therefore be prone to errors given the high degree of human involvement, thus presents opportunities for potential financial irregularities or fraud. We have rebutted the ISA 240 fraud risk in relation grant income as the grant income stream is largely predetermined with low volume of transactions and it is set and determined by a third party which cannot be not easily manipulated. They are also easily verifiable against grant determinations, providing little opportunity for manipulation as any fraud or manipulation attempts would be easily identified. 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. At the planning stage, we have concluded that in the case of the London Fire Brigade, this is not a material or likely risk. In view of our understanding of the expenditure streams, the risk of material misstatement arising from inappropriate revenue recognition has a low likelihood of occurrence due to the streams being supported by employment contracts, external contracts and third-party agreements/invoices that have predetermined costs.	In order to address the risks outlined we will carry out a range of procedures including: ▪ Sample testing other (non-grant) income using a lower testing threshold and ensuring that underlying evidence supports the recognition of income within the financial year. ▪ Reviewing and testing MFB revenue recognition policy and ensure that it is consistent with the Act and with accounting standards. ▪ Testing a sample of MFB revenue transactions, using a lower testing threshold, to ensure that they have been recognised at the appropriate amount and in the correct accounting period, including the correct receipts in advance split. ▪ Testing journal entries that meet unusual criteria where the credit entry side is posted to revenue.

Our response to significant risks

Risk of error in property valuations

Financial statement impact	What is the risk, and the key judgements and estimates?	Our response: Key areas of challenge and professional judgement
The value of land and buildings represents a significant balance in the London Fire Brigade's accounts and is subject to valuation changes, impairment reviews and depreciation charges. As at 31 March 2025 the balances of land and buildings was £429m and surplus assets was £19.8m which are therefore material balances	Auditing standards (ISA 620) require us to gain particular assurances when an expert has been engaged and where this influences material figures in the financial statements. The London Fire Commissioner engages a professional valuer to provide it with asset valuations. Management is required to make material judgements and apply estimation techniques to calculate the year-end balances recorded in the balance sheet as they are subject to valuation on an annual basis. Changes in assumptions to the property valuations could result in either an understatement of overstatement to the land and buildings item within the balance sheet with a corresponding impact to the revaluation reserve in the balance sheet and the surplus/deficit on revaluation item with the Comprehensive Income and Expenditure Statement.	In order to address the risks outlined we will carry out a range of procedures including: ▪ Consider the work performed by the London Fire Brigade's valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work. ▪ Sample test key asset information and assumptions used by the valuers in performing their valuation (e.g. floor plans to support valuations based on price per square metre and land areas and values). ▪ Consider changes to useful economic lives as a result of the most recent valuation and if there are any specific changes to assets that have occurred and that these have been communicated to the valuer. ▪ Confirm that the information provided by the valuer as the management's expert has been appropriately reflected in the financial statements ▪ Test accounting entries have been correctly processed in the financial statements. ▪ Obtain the valuation instructions sent by the London Fire Brigade to the valuer and check that lease arrangements have been communicated correctly and taken into consideration in the valuations. ▪ EY Real Estates, our internal specialists on asset valuations, will be engaged to support our work in this area. NB: Whilst CIPFA bulletin 22 is not applicable to London Fire Brigade in the 2025/26 year due to a full valuation taking place, we will perform procedures to review and assess Management's assessment and planned approach to CIPFA Bulletin 22 for future audit years.

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be audit matters we will include in our audit report.

Financial statement impact	What is the risk, and the key judgements and estimates?	Our response: Key areas of challenge and professional judgement
Valuation of Pension Assets and Liabilities - Fire Fighter Pension Scheme and Local Authority Pension Scheme (Risk of material misstatement)		
The London Fire Brigade's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the London Fire Brigade's balance sheet. At 31 March 2025 this totalled £4.59 billion. This is broken down as follows: A liability of £11,4m for LGPS and liability of £4.58 billion for FFPS.	The Local Authority Accounting Code of Practice and IAS19 require the London Fire Brigade to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme (LGPS) and the Fire Fighter's Pension Scheme (FFPS). The information disclosed is based on the IAS 19 report issued to the London Fire Brigade by the actuary to the London Fire Brigade. 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.	In order to address the risks outlined we will carry out a range of procedures including: ▪ Liaising with the auditors of London Pension Fund Authority, to obtain assurances over the information supplied to the actuary in relation to the London Fire Brigade. ▪ Considering the work of the pension fund auditor in relation to the triennial valuation report and evaluate whether the data, assumptions, and methodology used give rise to a risk of material misstatement in the Authority's pension liability ▪ Assessing the conclusions drawn on the work of the actuary, Barnett Waddingham (LGPS) and Government Actuaries Department (FFPS), 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. ▪ Evaluating the reasonableness of the Pension Fund actuary's calculations by comparing them to the outputs of our own auditor's specialist's model; ▪ Assessing the application of IFRIC14 including any calculations performed to determine the impact of the asset ceiling or asset recognisable for the LGPS scheme and ▪ Reviewing and testing the accounting entries and disclosures made within the London Fire Brigade's financial statements in relation to IAS19 for both LGPS and FFPS.

Other areas of audit focus

Financial statement impact	What is the risk, and the key judgements and estimates?	Our response: Key areas of challenge and professional judgement
IFRS 16 Leases – Accounting and Valuation of Right-of-Use (ROU) Assets and Lease Liabilities (Risk of material misstatement)		
The Authority recognises Right-of-Use (ROU) assets and corresponding lease liabilities that are material to the financial statements. As of 31 March 2025, the right of use asset balance was £47.6 million, Short Term Lease Liabilities were £7.7 million and Long Term Lease Liabilities were £40.9 million.	The application of IFRS 16 requires significant judgement in identifying lease arrangements, determining lease terms, estimating incremental borrowing rates, and accounting for lease modifications and reassessments. These judgements directly impact the initial and subsequent valuation of ROU assets and lease liabilities. In addition, ROU assets are subject to depreciation and impairment assessments, which rely on Management assumptions and estimates and may materially affect year-end carrying values. Given the volume and complexity of lease arrangements, the judgement involved in determining key valuation inputs, and the ongoing requirement to update lease data, there is a risk that ROU assets and lease liabilities are not completely or accurately identified, measured, or re-measured. Taking into consideration the above and the material corrected and uncorrected misstatements identified during the 2024./25 audit, there is a risk that this may result in material misstatement of the valuation of ROU assets, lease liabilities, related depreciation and impairment charges at year end.	In order to address the risks outlined we will carry out a range of procedures including: ▪ Obtaining an understanding of the Authority's processes and controls over IFRS 16, including lease identification and completeness. ▪ Performing completeness procedures over the lease population, including consideration of contracts that may contain embedded leases. ▪ Assessing Management's judgement over lease terms, including break clauses and extension or termination options. ▪ Reviewing the discount rates used to calculate right-of-use assets and lease liabilities and assess their reasonableness. ▪ Reviewing Management policies and key assumptions, including low-value thresholds and the use of practical expedients for non-lease components. ▪ Sample testing leases to confirm IFRS 16 accounting has been correctly applied, including initial recognition and subsequent measurement. ▪ Evaluating whether any lease modifications or reassessments have occurred during the year and confirm appropriate accounting treatment. ▪ Considering the accounting for leases provided at below market rates, including peppercorn and nil-consideration leases, and any required valuation adjustments at year end. ▪ Considering whether there are indicators of impairment of ROU assets. ▪ Testing the accuracy of interest expense and the unwinding of the discount on lease liabilities. ▪ Engaging valuation specialists where necessary to review key assumptions used in the valuation of right-of-use assets, ▪ Reviewing disclosures for compliance with the Code and IFRS 16 requirements.

Other areas of audit focus

Financial statement impact	What is the risk, and the key judgements and estimates?	Our response: Key areas of challenge and professional judgement
Provisions for legal obligation (Risk of material misstatement)		
Management recognise material provisions in relation to legal obligations arising in relation to the public liability. The nature of this estimate means that they are based on uncertain outcomes and are subject to management judgement.	Management recognise material provision in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets, in relation to legal obligations arising in relation to the public liability. This provision is sensitive to the users of the financial statements. Its relevance and importance necessitate careful consideration and disclosure. The nature of these estimates means that they are based on uncertain outcomes and are subject to management judgement. As part of our 2024/25 audit of the financial statements we identified unadjusted errors in this area including an understatement of the provisions as a result of costs not included in management's calculations.	In order to address the risks outlined we will carry out a range of procedures including: ▪ Critically assessing management's estimates and assessment including agreement to third party evidence and consistency with legal advice; ▪ Stress testing management's estimate using downside assumptions to assess the risk of material misstatement; ▪ Assessing the completeness of the provisions through inquiry with the legal team; search for unrecorded provisions and evaluating management's rationale of estimated costs where third party evidence is not available. ▪ Ensuring appropriate accounting for the provisions in line with IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and ▪ Ensuring appropriate disclosure within the financial statements. ▪ Holding regular discussions with the legal team up to the date of our opinion to assess whether additional information becomes available after the balance sheet date which could constitute a post balance sheet event.
Implementation of New financial system and payroll system (Risk of material misstatement)		
In April 2025 and January 2026, the London Fire Brigade went live with its new financial (SAP) and payroll (iTrent) systems, respectively. The authority transferred the 2024/25 closing balances to the new financial system in March 2026. The authority transferred payroll data onto the new system in January 2026.	The Authority implemented a new financial system, SAP, and a new payroll system, iTrent, for the 2025/26 audit year. This gives rise to a risk as this has a potential to impact all account balances if data migration was not completed correctly.	In order to address the risks outlined we will carry out a range of procedures including: ▪ Obtaining an understanding of the changes to underlying processes by performing walkthroughs of the new systems; ▪ Confirming completeness and accuracy of data transfer between the old and new systems by reviewing reconciliations; ▪ Re-performing the reconciliation between the closing balance on masterpiece and the opening balance on SAP. ▪ Re-performing the reconciliation between the closing balance on Cyborg and the opening balance on iTrent. ▪ Engaging with our internal specialists (Technology risk team) to perform procedures surrounding system migration controls.

03 Value for money

Value for money

Authority's responsibilities for value for money

The Authority 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 the financial statements, the Authority is required to bring together a commentary on the governance framework and how this has operated during the period in a governance statement. In preparing the governance statement, the Authority tailors the content to reflect its own individual circumstances, consistent with the requirements of the relevant accounting and reporting framework and having regard to any guidance issued in support of that framework. This includes a requirement to provide commentary on arrangements for securing value for money from the use of resources.

Auditor responsibilities

Under the NAO Code we are required to consider whether the Authority has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. The Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to the Authority a commentary against specified reporting criteria (see below) on the arrangements the Authority has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The specified reporting criteria are:

Financial sustainability

How the Authority plans and manages its resources to ensure it can continue to deliver its services.

Governance

How the Authority ensures that it makes informed decisions and properly manages its risks.

Improving economy, efficiency and effectiveness

How the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

Value for money

Planning and identifying risks of significant weakness in value for money arrangements

The NAO's guidance notes require us to conduct a risk assessment that collects sufficient evidence to document our evaluation of the Authority's arrangements, allowing us to draft a commentary under the three reporting criteria. This involves identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations. In considering the Authority's arrangements, we consider:

- The annual governance statement;
- Evidence of arrangements during the reporting period;
- Evidence obtained from our audit of the financial statements;
- The work of inspectorates and other bodies; and
- Any other evidence that we deem necessary to facilitate the performance of our statutory duties.

We then evaluate whether there is evidence indicating significant weaknesses in arrangements. According to the NAO's guidance, determining what constitutes a significant weakness and the extent of additional audit work required to address the risk is based on professional judgment. The NAO indicates that a weakness can be considered significant if it:

- Exposes, or could reasonably be expected to expose, the Authority to significant financial loss or risk;
- Leads to, or could reasonably be expected to lead to, significant impact on the quality or effectiveness of service or on the Authority's reputation or unlawful actions;
- Identifies a failure to take action to address a previously identified significant weakness, such as failure to implement or achieve planned progress on action/improvement plans.

When planning work identifies a risk of significant weakness, the NAO's guidance requires us to consider the additional evidence needed to verify whether there is a significant weakness in arrangements. This involves conducting further procedures as necessary. We are required to report our planned procedures to the Commissioner.

Reporting on value for money arrangements

If we determine that the Authority has not made proper arrangements for securing economy, efficiency, and effectiveness in its use of resources, the NAO Code mandates that we reference this by exception in the audit report on the financial statements.

Additionally, we are required to provide a commentary on the value for money arrangements in the Auditor's Annual Report. The NAO Code specifies that this commentary should be clear, readily understandable, and highlight any issues we wish to draw to the Authority's or the wider public's attention. This may include matters that are not considered significant weaknesses in arrangements but should still be brought to the Authority's attention. It will also cover details of any recommendations from the audit and the follow-up of previously issued recommendations, along with our assessment of their satisfactory implementation. Our 2025/26 Auditor's Annual Report must be issued in draft by 30 November 2026 to comply with the revised requirements of the NAO Code.

Value for money

Value for money risk assessment

We have completed our initial value for money planning, where we have considered:

- Our entity level controls and understanding the business assessment
- Commissioner's Board meeting minutes and
- Key financial and budget information
- Key performance reports/internal audit reports
- Findings of other inspectorates

As part of our initial planning work, we considered whether there were any risks of significant weakness in the body's arrangements for securing value for money that we needed to perform further procedures on. The risks we have identified are detailed on the table overleaf along with the further procedures we will perform. We will continue to review the body's arrangements and report

Criteria	2024/25 judgements on arrangements	2025/26 risk assessment	2025/26 expected procedures to respond
Financial sustainability	Based on the work performed, the Authority had proper arrangements in place in 2024/25 to plan and manage its resources to ensure it can continue to deliver its services. Whilst internal arrangements are sound, the ongoing pressure in relation to Financial Sustainability continues to get more acute and requires ongoing review and governance, as well as close dialogue with Mayor and GLA.	There have been increased challenges in delivering a balanced budget in recent years. Whilst a balanced budget has been set in 2026/27, this was only achieved through £6.1m of savings plans, £8.9m additional Mayoral funding and £3.3m deferral of staff training. Based on work completed during the 2024/25 audit, we noted the London Fire Brigade's declining reserves balances, potential future increase in borrowings and a declining cash forecast through to 2027 A budget gap of £9.6m expected in 2027/28. We have therefore identified a significant risk in this area and will complete appropriate procedures to conclude whether arrangements are appropriate.	• Review the Authority's savings plans, including those within the 2026/27 budget, to understand how a balanced budget will be delivered and assess the reasonableness of underlying assumptions. • Review progress against approved savings plans, including monitoring arrangements and Management reporting, to assess whether delivery is on track. • Hold discussions with Management to understand how budget gaps and financial pressures are being addressed, including the robustness and realism of the savings strategy. • Consider whether the Authority's overall approach to financial planning and savings delivery demonstrates appropriate arrangements to secure value for money. • Understand the latest dialogue with the Greater London Authority and the London Mayor regarding any future support which may be available

Value for money

Criteria	2024/25 judgements on arrangements	2025/26 risk assessment	2025/26 expected procedures to respond
Governance	Based on the work performed, the Authority had proper arrangements in place in 2024/25 to make informed decisions and properly manage its risks.	We have identified issues with the quality of financial reporting and controls findings across the 2023/24 and 2024/25 audits. This is evidenced by the level of errors identified as well as the extent of control recommendations raised in the Audit Results Reports for both years. Whilst the Authority obtained a Qualified audit opinion in 2024/25, the above-mentioned issues become more challenging due to the forthcoming regulatory changes tightening the statutory backstop dates (January 2027 for the 2025/26 audit year and November for subsequent years), alongside management's implementation of two new financial systems during 2025/26. Taken together, these factors indicate a risk that the authority's quality assurance arrangements, and the finance team's capacity and capability, may not be sufficient to support timely, efficient, and effective 2025/26 audit delivery within the agreed timeframe.	▪ We will assess the Authority's arrangements and review the actions taken by the Authority in relation to our recommendations. This will involve the Authority preparing good quality Financial Statements, working papers and ability to support the audit within the agreed upon timelines. ▪ Hold weekly catch ups with the Director of Corporate Services to discuss audit progress ▪ Hold an audit workshop to discuss expected quality, timelines and expectations. ▪ Hold an audit debrief with management to discuss managements response and actions to ensure that the audit is serviced within agreed upon timelines and to provided good quality working papers as well as valid, accurate and complete audit evidence.

Value for money

Criteria	2024/25 judgements on arrangements	2025/26 risk assessment	2025/26 expected procedures to respond
Improving economy, efficiency and effectiveness	**Findings from External Bodies in relation to:** - Grenfell Tower Inquiry (Phase 2 report) - HMICFRS Round 2 report of effectiveness, efficiency and people. - HMI values and culture Based on the work performed, the Authority had proper arrangements in place in 2024/25 in how it uses information about its costs and performance to improve the way it manages and delivers its services	**Findings from External Bodies** The London Fire Brigade has outstanding recommendations from the following two inspections at the date of this report: ▪ Grenfell Tower Inquiry (Phase 2 report). ▪ HMI values and culture (6 outstanding recommendations) Good progress has been made to develop action plans in response to these inspection. However, the Brigade continues to progress its transformation agenda and report progress against each of these actions on a regular basis to both the Home Office and the Mayor of London. There is a risk that the Brigade does not have the appropriate resource and capabilities to address all recommendations which could expose the organisation to risks in the future.	In order to address this risk we will carry out a range of procedures including: consider: ▪ Reviewing progress made against the recommendation from the Grenfell Tower Inquiry phase 2 report. ▪ Reviewing progress made against the remaining opening recommendations made as part of the HMI values and culture report. ▪ Specifically assessing the action plans in place to address the open recommendations, particularly those in relation to the culture findings.

04 Audit materiality

Materiality

Authority materiality

For planning purposes, materiality for 2025/26 has been set at £14.2 million. This represents 2% of the Authority's 2024/25 gross expenditure on provision of services. It will be reassessed throughout the audit process. We have provided supplemental information about audit materiality in Appendix E.

Gross expenditure on provision of services

£710.4m

Planning materiality	Performance materiality	Audit differences
£14.2m	**£7.1m**	**£0.07m**

We request that the Commissioner confirm his understanding of, and agreement to, these materiality and reporting levels.

Key definitions

Planning materiality – the amount over which we anticipate misstatements would influence the economic decisions of a user of the Financial statements.

Performance materiality – the amount we use to determine the extent of our audit procedures. We have set performance materiality at £7.1m million which represents 50% of Planning materiality.

Audit difference threshold – We will report to you all uncorrected misstatements over £0.07 million, relating to the income statement and balance sheet that have an effect on income and misstatements in the CIES.

Other uncorrected misstatements, such as reclassifications and misstatements in the cashflow or disclosures and corrected misstatements will be communicated to the extent that they merit the attention of the Commissioner or are important from a qualitative perspective.

05 Scope of our audit

Audit process and strategy

Objectives of our audit scoping

In accordance with the NAO Code, our primary objectives are to conduct work that supports the delivery of our audit report to the Authority. Additionally, we aim to ensure that the Authority has established proper arrangements for securing economy, efficiency, and effectiveness in its use of resources, as mandated by relevant legislation and the requirements of the NAO Code. We will issue an audit report that covers:

1. **Financial statement audit**

Our opinion on the financial statements:

- Whether the financial statements give a true and fair view of the financial position of the group and its expenditure and income for the period in question; and
- Whether the financial statements have been prepared properly in accordance with the relevant accounting and reporting framework as set out in legislation, applicable accounting standards or other direction.

Our opinion on other matters:

- whether other information published together with the audited financial statements is consistent with the financial statements.

Other procedures required by the Code:

- Examine and report on the consistency of the Whole of Government Accounts schedules or returns with the body's audited financial statements for the relevant reporting period in line with the instructions issued by the National Audit Office.

2. Arrangements for securing economy, efficiency and effectiveness (value for money)

We are required to consider whether the Authority has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources and report a commentary on those arrangements.

Internal audit

We will review internal audit plans and the results of their work. We will reflect the findings from these reports, together with reports from any other work completed in the year, in our Auditor's Annual Report. Where they raise issues that could have an impact on the Financial statements this will be considered in our execution work.

06 Audit team

Audit team

Audit team leadership

The engagement team is led by Ben Lazarus, who has overall responsibility for the performance of the audit and for the auditor's report issued on behalf of EY.

Our approach to the use of specialists

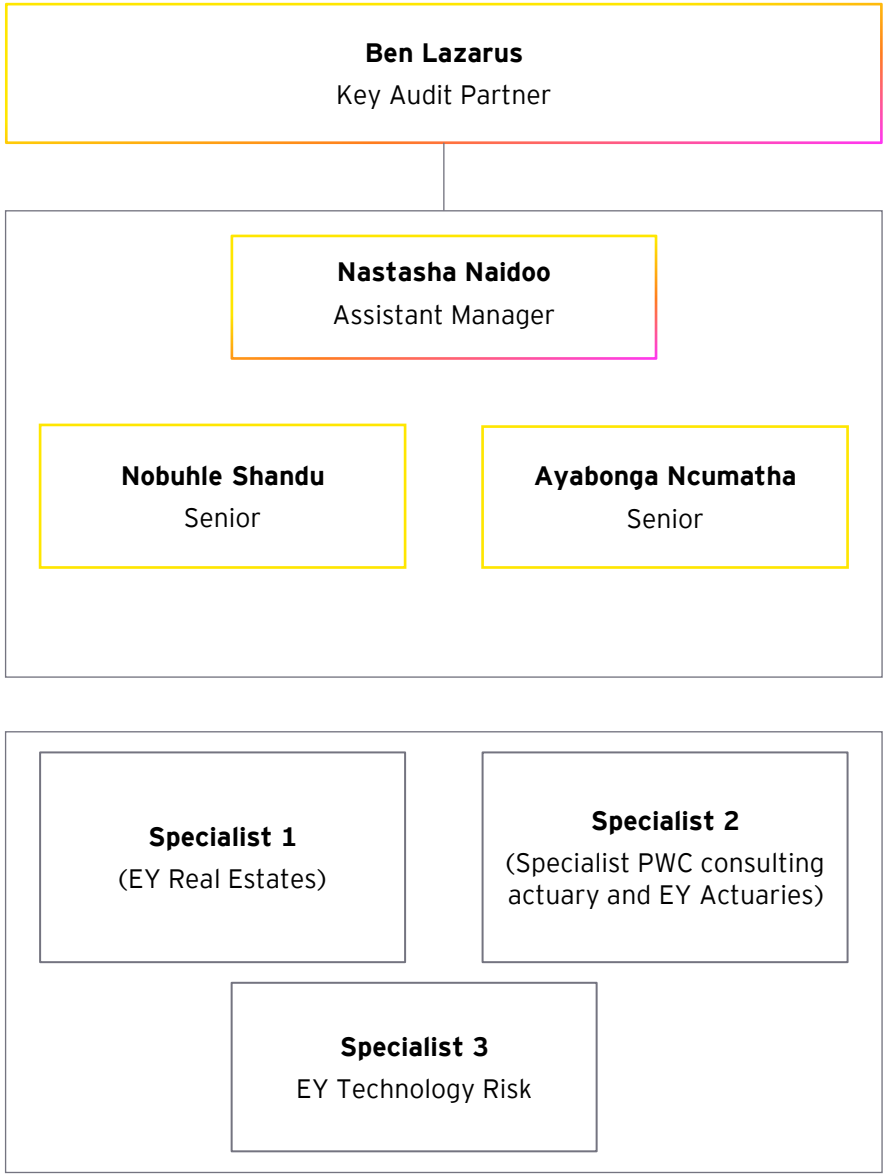
When auditing key judgements, we are often required to use the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where Management and EY specialists are expected to provide input for the current year audit are:

Area	EY Specialists	Management specialist
Valuation of Land and Buildings	EY Valuations team (EY Real Estates team)	Sanderson Weatherall
Pensions disclosure	EY Actuaries and PWC	Barnett Waddingham – LGPS Government Actuary's Department - FFPS
Implementation of new IT systems	EY Technology risk team	Not applicable

In accordance with Auditing Standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Group's business and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- Analyse source data and make inquiries as to the procedures used by the specialist to establish whether the source data is relevant and reliable
- Assess the reasonableness of the assumptions and methods used
- Consider the appropriateness of the timing of when the specialist carried out the work
- Assess whether the substance of the specialist's findings are properly reflected in the financial statements.



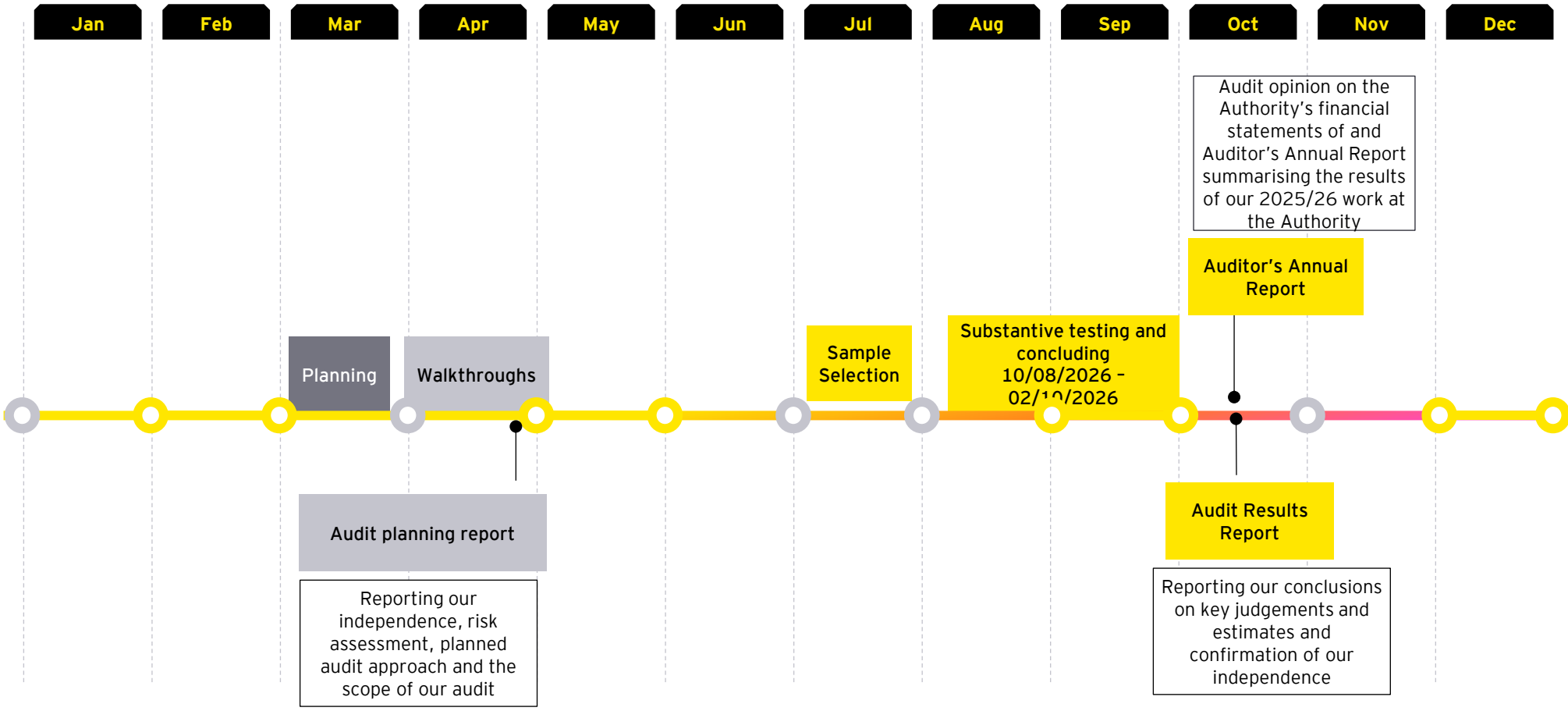
07 Audit timeline

Timetable of communication and deliverables

Timeline

Below is a timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit cycle in 2025/26.

From time to time matters may arise that require immediate communication with the Commissioner and we will discuss them with the Commissioner as appropriate. We will also provide updates on corporate governance and regulatory matters as necessary.



08 Appendices

Appendix A – Rebuilding assurance: responsibilities

The Authority's responsibilities

As set out in Appendix [B] our fee is based on the assumption that the Authority complies with PSAA's Statement of Responsibilities of auditors and audited bodies. See https://www.psaa.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 Authority should have regard to paragraphs 26-28 of the Statement of Responsibilities which clearly set out what is expected of audited bodies in preparing their financial statements. We set out these paragraphs in full below:

Preparation of the statement of accounts

26. Audited bodies are expected to follow Good Industry Practice and applicable recommendations and guidance from CIPFA and, as applicable, other relevant organisations as to proper accounting procedures and controls, including in the preparation and review of working papers and financial statements.

27. In preparing their statement of accounts, audited bodies are expected to:

- prepare realistic plans that include clear targets and achievable timetables for the production of the financial statements;
- ensure that finance staff have access to appropriate resources to enable compliance with the requirements of the applicable financial framework, including having access to the current copy of the CIPFA/LASAAC Code, applicable disclosure checklists, and any other relevant CIPFA Codes.
- assign responsibilities clearly to staff with the appropriate expertise and experience;
- provide necessary resources to enable delivery of the plan;
- maintain adequate documentation in support of the financial statements and, at the start of the audit, providing a complete set of working papers that provide an adequate explanation of the entries in those financial statements including the appropriateness of the accounting policies used and the judgements and estimates made by management;
- ensure that senior management monitors, supervises and reviews work to meet agreed standards and deadlines;
- ensure that a senior individual at top management level personally reviews and approves the financial statements before presentation to the auditor; and
- during the course of the audit provide responses to auditor queries on a timely basis.

28. If draft financial statements and supporting working papers of appropriate quality are not available at the agreed start date of the audit, the auditor may be unable to meet the planned audit timetable, and the start date of the audit will be delayed.

Observations from 2024/25

As we have outlined in prior years, 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. We presented our views on the effectiveness of the Authority's arrangements to support external financial across a range of relevant measures as part of our 2024/25 Audit Results Report.

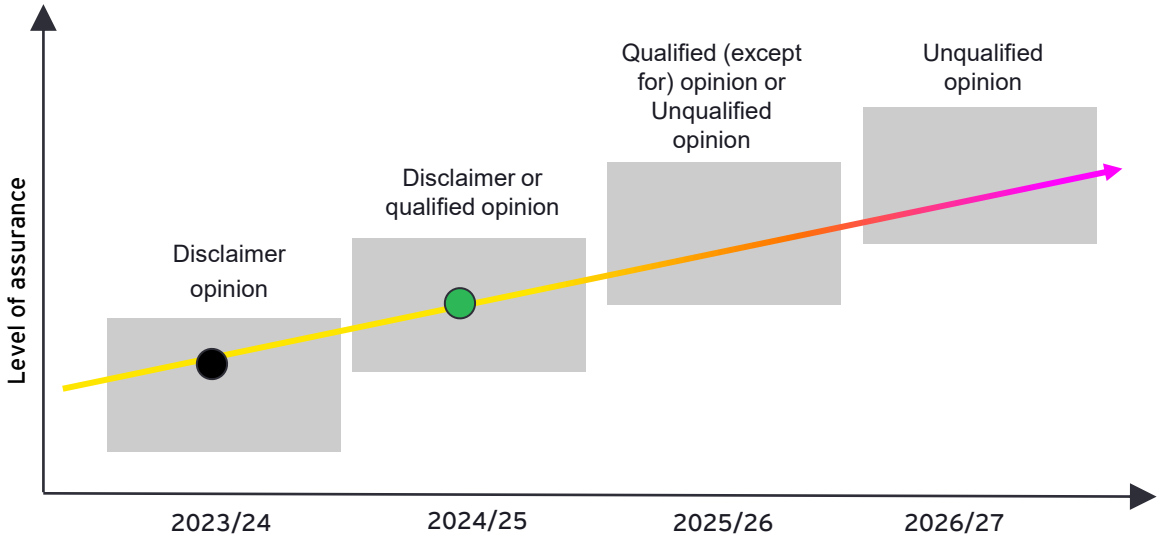
We have repeated this assessment on page 35.

Appendix A – Rebuilding assurance continued

Progress to full assurance

The chart below sets out the illustrative timescale for the process of rebuilding assurance set out in the NAO's Local Audit Reset and Recovery Implementation Guidance (LARRIG) 01, together with our view of the Authority's actual progress against that timescale, the reasons for that assessment and what still needs to be done to successfully rebuild assurance.

The guidance recognises that the path to full assurance, and therefore an unqualified opinion, will usually take a number of years to achieve, and depends upon co-ordination and engagement between the Authority and audit team. Since 2022/23, we have applied a structured, risk-based prioritisation approach to local government audits to support a return to unqualified audit opinions wherever feasible, while still meeting statutory backstop requirements.



London Fire Brigade's progress

- In the audit report for the year ended 31 March 2025, a qualified audit opinion was issued due not having sufficient appropriate evidence over reserves and because of the effect of the disclaimers of opinion on the financial statements for the years ended 31 March 2023 and 31 March 2024 on the comparability of the 2024/25 figures and the corresponding figures in the CIES.
- In the audit report for the year ended 31 March 2024 disclaimer of opinion was issued due to the application of the backstop.

In our view, the Authority's progress is in line with the expected timescales set out in LARRIG 01.

In 2024/25 we were able to make significant progress in the level of assurance achieved as all in year procedures were completed. Our risk assessment for 2025/26 is underway, and our work will seek to focus on continuing to build back assurances in the following areas:

- Reserve balances

Efficient delivery will continue to rely on the strong management cooperation, timely responses, clear communication and the provision of good-quality working papers. Maintaining this approach will support us in completing the audit in line with the agreed timetable.

Appendix A – Rebuilding assurance: responsibilities continued

Factors impacting the execution of the 2024/25 audit

Area	Status			Explanation
	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.
Quality and completeness of the draft financial statements			Effective	Whilst we identified a small number of non-material disclosure issues in the financial statements, the statement of accounts were of adequate quality and complete.
Delivery of working papers in accordance with agreed client assistance schedule			Effective	Working papers were provided to the agreed timetable.
Quality of working papers and supporting evidence		Requires improvement		We identified inconsistencies between working papers and supporting evidence provided to us when compared to the financial statements submitted for audit. A number of differences were also identified showing that insufficient review of the financial statements/working papers had occurred. For several requests, the quality of evidence provided was of lower quality than required by our audit regulations and led to further requests for clarification and further evidence. There were also issues with timeliness of response to audit queries.
Timeliness and quality of evidence supporting key accounting estimates		Requires improvement		Significant delays were experienced in the provision of supporting evidence for the valuation of PPE from the Authority. The quality of evidence and explanations provided were of lower quality than required, leading to further requests for clarification and evidence. This resulted in delays to the audit process.
Access to finance team and personnel to support the audit in accordance with agreed project plan		Requires improvement		There were no issues with access to key members of the finance team and key personnel. However, there was limited oversight and quality control procedures by management over the quality and timeliness of the evidence being returned to us from the wider teams and this adversely impacted our ability to progress our planned procedures as per the detailed audit plan and timelines.
Volume and value of identified misstatements		Requires improvement		A small number of material misstatements were detected as a result of our work, as well as a number misstatements above our reporting threshold.
Volume of misstatements in disclosure		Requires improvement		A number of misstatements in disclosure were detected in our work.

Key:

Red: Ineffective. In our judgement, significant improvements are required in the Authority's arrangements to support the rebuilding of assurance. Action should be taken to respond immediately.

Amber: Requires Improvement. Matters and/or issues had an impact on the delivery of the audit and should be addressed in future years.

Green: Effective. There were no significant matters that impacted the timing or effectiveness of audit procedures.

Appendix B - Independence and Fees

The FRC Ethical Standard 2024 and ISA (UK) 260 'Communication of audit matters with those charged with governance', requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications

Planning stage

- The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between you, your affiliates and directors and us;
- The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review;
- The overall assessment of threats and safeguards;
- Information about the general policies and process within EY to maintain objectivity and independence
- The IESBA Code requires EY to provide an independence assessment of any proposed non-audit service (NAS) to the PIE audit client and will need to obtain and document pre-concurrence from the those charged with governance for the provision of all NAS prior to the commencement of the service (i.e., similar to obtaining a "pre-approval" to provide the service).

Final stage

- In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed;
- Details of non-audit/additional services provided and the fees charged in relation thereto;
- Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us;
- Details of any non-audit/additional services to a UK PIE audit client where there are differences of professional opinion concerning the engagement between the Ethics Partner and Engagement Partner and where the final conclusion differs from the professional opinion of the Ethics Partner
- Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy;
- Details of all breaches of the IESBA Code of Ethics, the FRC Ethical Standard and professional standards, and of any safeguards applied and actions taken by EY to address any threats to independence (for breaches of the FRC Ethical Standard include details of its significance); and
- An opportunity to discuss auditor independence issues.

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.

Appendix B - Independence and Fees continued

Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. We have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective. However we will only perform non-audit services if the service has been pre-approved in accordance with your policy.

Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of Ben Lazarus, your audit engagement partner and the audit engagement team have not been compromised.

Self interest threats

A self interest threat arises when EY has financial or other interests in your company. Examples include where we have an investment in your company; where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake those permitted non-audit/additional services set out in Section 5.40 of the FRC Ethical Standard 2024 (FRC ES), and we will comply with the policies that you have approved.

None of the services are prohibited under the FRC's ES and the services would be approved in accordance with your policy on pre-approval. In addition, when the ratio of non-audit fees to audit fees exceeds 1:1, we are required to discuss this with our Ethics Partner, as set out by the FRC ES, and if necessary agree additional safeguards or not accept the non-audit engagement. We will also discuss this with you.

At the time of writing, the current ratio of non-audit fees to audit fees is nil as no non-audit services have been provided. No additional safeguards are required.

A self interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with FRC ES Section 4.

There are no other self interest threats at the date of this report.

Appendix B - Independence and Fees continued

Self review threats

Self review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements. There are no self review threats at the date of this report

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of your company. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decisions based on that work.

There are no management threats at the date of this report

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report

EY Transparency Report

EY has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the period ended 30 June 2025 and can be found here: EY UK 2025 Transparency Report.

Appendix B – Independence and Fees continued

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.

The agreed fee presented is based on the following assumptions:

- officers meeting the agreed timetable of deliverables;
- our financial statement opinion and value for money conclusion being unqualified;
- appropriate quality of documentation is provided by the Authority;
- an effective control environment; and
- compliance with PSAA's Statement of Responsibilities of auditors and audited bodies. See https://www.psaa.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 Authority should have regard to paragraphs 26-28 of the Statement of Responsibilities which clearly sets out what is expected of audited bodies in preparing their financial statements. These are set out in full on the previous page.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with the Authority in advance.

	Current Year	Prior Year
	£	£
Total Fee – Code Work	200,109 Note 2	198,551
Proposed scale fee variation	TBC Note 3	TBC Note 1
Total audit	**TBC**	**TBC**

All fees exclude VAT

1. As set out in the joint statement on update to proposals to clear the backlog and embed timely audit issued by DHLUC, PSAA will use its fee variation process to determine the final fee the Authority has to pay for the 2023/24 and 2024/25 audits. The 2024/25 work has just been completed, and a final fee variation is subject to determination by the PSAA Ltd having been previously shared with Management
2. For 2025/26 the planned fee represents the base fee, i.e., not including any extended testing.
3. The scale fee also may be impacted by a range of other factors which will result in additional work, which include but are not limited to:

- Additional audit procedures will be required in relation to the implementation of the new IT systems, SAP and iTrent. We are required to perform additional procedures relating to the transfer, which will incur additional audit fee. The change in systems will also require us to perform our ISA 315 system procedures for the new finance and payroll systems.
- Quality and preparation issues
- Build back costs
- Work on internal expert
- Lower materiality threshold being used
- Consideration of correspondence from the public and formal objections.
- New and revised accounting standards and guidance, including CIPFA bulletin 22.
- Non-compliance with law and regulation with an impact on the financial statements.
- VFM risks of, or actual, significant weaknesses in arrangements and related reporting impacts.
- The need to exercise auditor statutory powers.
- Prior period adjustments.
- Modified financial statement opinions

Appendix C – Prior year recommendations

As part of our annual audit procedures we will follow up the specific open and in progress recommendations reported within our 2024/25 reporting, including those relating to value for money arrangements. The open recommendations from prior years are outlined below, along with the response from management.

Classification of recommendations		
Grade 1: Key risks and / or significant deficiencies which are either critical to the achievement of strategic objectives or significant risks to material compliance with regulatory requirements. Management needs to address and seek resolution urgently.	**Grade 2:** Risks or potential weaknesses which impact on objectives and compliance, or impact the operation of a single process, and so require prompt but less urgent immediate action by management.	**Grade 3:** Less significant issues and / or areas for improvement which consider merit attention but do not require to be prioritised by management.

Internal control weaknesses

No.	Finding and/or risk	Grading	Recommendation	Management response
1	**Misclassification Due to Inadequate Review of Note 14 Mapping** Our audit identified that certain figures presented in Note 14 required correction by management due to a mapping error. This indicates that existing controls over the preparation and review of note disclosures were not sufficiently robust to detect misclassifications prior to finalisation.	2	Management should strengthen its controls over the preparation and review of financial statement notes by: - Implementing a formal validation process to verify that mapping structures are correct. - Ensuring that any system-generated mappings or spreadsheet links used in the preparation of disclosures are independently reviewed and tested before year-end.- - Maintaining documented evidence of the review process, including checks performed and any adjustments made. These steps will help ensure the accuracy and completeness of disclosures and reduce the likelihood of classification errors occurring in future reporting periods.	Management accepts these recommendations and will implement them for the 25/26 accounts.

Appendix C – Prior year recommendations

No.	Finding and/or risk	Grading	Recommendation	Management response
2	**Exit packages listing** In accordance with CIPFA guidance, an authority is required to recognise a liability and the associated expense for termination benefits at the earlier of: (a) the date on which the authority is no longer able to withdraw the offer of such benefits; or (b) the date on which the authority recognises restructuring costs that fall within the scope of Section 8.2 of the Code and IAS 37, where the restructuring involves the payment of termination benefits. During the course of our audit procedures, we noted that an individual who ceased employment on 31 March 2024, but whose termination payment was made in the 2024/25 financial year, was included within the current-year exit packages disclosure. However, this individual was not included in the detailed listings for either the current or prior year.	2	Management should strengthen its controls over the compilation and reconciliation of exit package disclosures. This should include implementing a formal review process to ensure that all individuals included within the summary disclosures are also accurately reflected in the detailed listings and supporting documentation.	The Finance and People Services teams recognise that there were previous deficiencies in this area and have strengthened the controls in advance of a consultation process which began in March 2025. Complete records of termination agreements and associated payments have been compiled and checked by People Services, Payroll and General Counsel. These are stored in a single location and to ensure all supporting documentation is accessible to those with authority to see it.
3	**Leavers Listing** During our audit procedures over the leavers listing, we identified that the activity descriptions recorded for certain individuals are unclear and, in some cases, inaccurate. For example, one individual who departed under a redundancy arrangement was recorded with the activity code "resign other," which does not accurately reflect the reason for leaving. This inconsistency indicates a weakness in the authority's controls over the recording, classification, and review of leaver information. Inaccurate activity descriptions increase the risk of misclassification and may compromise the reliability of disclosures linked to termination benefits.	2	Management should strengthen its controls over the completion and review of the leavers listing by: - Implementing a standardised set of leaver activity categories with clear definitions. - Ensuring staff responsible for recording leaver information are adequately trained in selecting the correct category. - Introducing a formal review process—either by HR or payroll—to verify that the recorded activity category aligns with supporting documentation (e.g., redundancy letters, resignation notices, termination agreements). - Periodically reconciling leaver data to ensure consistency between HR records, payroll systems, and disclosure listings. These enhancements will help ensure the accuracy, completeness, and reliability of leaver information used in statutory reporting and internal workforce monitoring.	The Finance and People Services teams recognise that there were previous deficiencies in this area and have strengthened the controls in advance of a consultation process which began in March 2025. Complete records of termination agreements and associated payments have been compiled and checked by People Services, Payroll and General Counsel. These are stored in a single location and to ensure all supporting documentation is accessible to those with authority to see it.

Appendix C – Prior year recommendations

No.	Finding and/or risk	Grading	Recommendation	Management response
4	**Correspondence over overdue debt** Controls over the debt-recovery process are not operating as designed. For sampled unpaid items, no evidence was available to demonstrate that reminder notices or follow-up correspondence had been issued to debtors. This is not in line with the organisation's policy, which requires the finance department to initiate recovery procedures when invoices remain unpaid after 28 days.	2	Management should ensure that debt-recovery actions are performed and appropriately documented in accordance with policy. This includes issuing reminders within required timeframes and retaining evidence of all correspondence with debtors. Strengthening these controls will support timely debt collection and improve the audit trail for outstanding balances.	The corporate debt recovery policy has been reviewed and is pending publication (subject to consultation). The roles and responsibilities are clearer, differentiating between what is done centrally and by local teams.
5	**Completeness of data submitted to actuary** The was no evidence to confirm that adequate controls are in place to ensure the completeness and accuracy of data provided to the actuary. During our audit, we noted that benefits payments were erroneously omitted from the actuarial data submission. This omission resulted in an incorrect actuarial valuation and an overstatement of the related liability recognised in the financial statements. (Repeat observation)	1	We recommend that management strengthen data-preparation and review controls over information submitted to the actuary. This should include a documented reconciliation process, supervisory review, and validation checks to confirm that all relevant benefit payments are fully and accurately captured. Implementing these controls will help ensure that actuarial valuations are based on complete data and that the resulting liabilities are correctly reported in the financial statements. (Repeat recommendation)	Management accepts this recommendation and is implementing these controls as proposed.
6	**Inadequate Management Review of IFRS 16 Calculations and Disclosures** Our audit procedures identified insufficient management review and challenge over the authority's internal IFRS 16 calculations and related disclosures. Calculations were prepared without appropriate assessment of underlying contracts or verification against supporting evidence. This lack of oversight contributed to several misstatements being identified during the audit. (Repeat observation)	1	Management should strengthen its internal control environment surrounding IFRS 16 by: - Implementing a formal review process to ensure calculations are thoroughly assessed against lease contracts and relevant supporting documentation. - Ensuring that staff responsible for preparing IFRS 16 workings have adequate training and guidance on the standard's requirements. - Introducing a secondary review by a suitably qualified individual to challenge key assumptions, inputs, and disclosures before inclusion in the financial statements. - Maintaining clear documentation to evidence the review process and the basis for significant judgements. These measures will enhance the accuracy and reliability of IFRS 16 calculations and reduce the risk of future misstatements.	This was the first year that LFB was impacted by IFRS 16 and the management team recognises that there are lessons to be learned in preparing quality evidence for the auditors. In the lead-up to the next audit, management will ensure that those involved in lease calculations have a good understanding of what evidence is required, including contract information, and ensuring that the evidence is available at the start of the audit.

Appendix C – Prior year recommendations

No.	Finding and/or risk	Grading	Recommendation	Management response
7	**PFI model update** We identified that the PFI model had not been appropriately updated for the change in RPI as per the PFI contract as part of close down processes. (Repeat)	2	Management should ensure that the PFI financial model is formally updated for changes in RPI in accordance with the requirements of the PFI contract as part of the year end close down process. A defined control should be implemented whereby the responsible officer reviews the contractually prescribed inflation indices annually, recalculates the unitary charge and associated model inputs, and documents the update within the working papers. This process should include an independent review and sign off to confirm accuracy and compliance with contractual terms. Given this is a repeat deficiency, management should also introduce strengthened oversight—such as adding the update to a formal year end checklist —to ensure the control is consistently performed.	Management accepts the weaknesses in the previous PFI model and is putting steps in place to ensure that this is addressed and that additional oversight is introduced.
8	Insufficient support over the release of lease incentive over the lease term Management was unable to provide sufficient and appropriate audit evidence to support the release of lease incentive over the lease term, indicating inadequate documentation and review processes around lease accounting.	2	A formal review process should be implemented to verify completeness and accuracy before recognition in the financial statements. This will improve auditability and ensure compliance with the relevant accounting requirements.	Management accepts this recommendation and is implementing these controls as proposed.
9	**Incomplete Related Party Declaration Process** During our audit procedures, we noted that an individual who went on maternity leave during the financial year was not asked to complete a related party declaration prior to commencing leave. Although our review of the prior-year declaration confirmed that no related parties had been disclosed, and our additional audit procedures did not identify any potential related parties, the absence of an updated declaration indicates a weakness in the authority's controls for ensuring that all senior officers complete annual declarations in line with governance requirements.	2	Management should strengthen its related party declaration process by: - Implementing a formal control requiring all relevant officers—particularly those taking extended leave (e.g., maternity, long-term sickness, secondment)—to complete their annual related party declaration before their departure. - Introducing monitoring procedures to ensure timely submission of all declarations, including follow-up actions where returns are outstanding. - Maintaining a clear audit trail demonstrating that all required individuals have submitted a declaration or have been appropriately assessed for related party risks. Strengthening these controls will help ensure completeness of related party disclosures and compliance with governance and financial reporting requirements.	Management accepts these recommendations and will implement them for the next annual declaration.

Appendix C – Prior year recommendations

No.	Finding and/or risk	Grading	Recommendation	Management response
10	**Duplicate Entry in Debtors Reconciliation** During our audit procedures over the reconciliation between the debtor's ledger and the debtors ageing report, we identified an item that had been recorded in both the ageing report (POMS system) and the debtors ledger (Masterpiece). This resulted in a duplicate entry and indicates that existing reconciliation controls are not sufficiently robust to detect and prevent duplication across the two systems.	2	Management should strengthen its reconciliation controls by: - Implementing a more detailed, line-by-line reconciliation process to ensure that items are recorded once and only once across all debtor systems. - Introducing an independent review of debtor reconciliations to validate completeness and identify any anomalies or duplicate entries. - Ensuring that system outputs (e.g., ageing reports) and ledger balances are regularly cross-checked and that discrepancies are investigated and resolved promptly. - Maintaining clear documentation of reconciliation procedures and findings to evidence the controls performed. Strengthening these controls will help ensure the accuracy and reliability of debtor balances and reduce the risk of misstatements in the financial statements.	The old systems, POMS and Masterpiece, have been replaced and all finance and purchasing is now done on a modern SAP system (since April 2025). Controls are built into this system which make it far less likely for these errors and there are no longer two separate systems to reconcile in this way. Management therefore accepts the previous control deficiency but and will review the recommendations to see what is already controlled by having a single system and whether any more controls are required to prevent duplicate entries..
11	**Creditors and Debtors listings** Management did not provide appropriate debtor and creditors listings for audit which clearly detailed, at transaction level, the outstanding position as at the balance sheet date. The EY team had to spend a considerable amount of time to reconcile listings to the year-end balance per the GL, which lead to the identification of misstatements. In additions, listings were not provided at transactional level, which required resampling in both debtors and creditors. (Repeat observation)	3	Management should implement processes to ensure that complete and accurate debtor and creditor listings are prepared and made available for audit. Listings should clearly reconcile to the general ledger and provide transaction-level detail to support the year-end balances. Strengthening these controls will reduce the risk of misstatements, minimise the need for manual reconciliations, and prevent unnecessary resampling during the audit.	Management accepts this recommendation and is implementing these controls as proposed.
12	**Contingent Liabilities have been incorrectly recorded as provisions.** Sample testing identified items that did not meet the criteria for recognition as a provision under the relevant accounting code. Following our request for a review of the full population, management's audited reassessment confirmed that £1.6m had been incorrectly recorded as a provision rather than as a contingent liability.	2	Management should strengthen controls over the evaluation and classification of legal obligations to ensure compliance with the code. This should include a documented assessment of each item against the provision and contingent liability criteria, along with an independent review. Implementing these measures will help ensure that balances are accurately classified and appropriately disclosed in the financial statements. Management should enhance the liability classification process by establishing structured and regular communication between the Finance and Legal teams.	The Finance team has already had discussions with General Counsel around the criteria for recognition of provisions and will ensure that these are regularly reviewed in order to prevent future misclassifications.

Appendix C – Prior year recommendations

No.	Finding and/or risk	Grading	Recommendation	Management response
13	**Incorrect classification of short term and long-term provision** Our audit identified a misstatement arising from incorrect classification between long-term and short-term liabilities, indicating that year-end balances were not appropriately assessed against the relevant criteria.	3	Management should introduce a coordinated review process between Finance and Legal to ensure all legal matters and associated timelines are clearly communicated. This collaboration will support Finance in determining the correct classification of liabilities in accordance with accounting requirements	The Finance team has already had discussions with General Counsel around the timing of provisions and will ensure that these are regularly reviewed in order to prevent future misclassifications.
14	**Incorrect reclassification of AUC** **Audit testing identified several assets that were incorrectly transferred to the land and buildings category despite evidence that they were not yet complete. These items should have remained classified as assets under construction.**	2	Management should strengthen review procedures for capital asset classifications at year-end to ensure assets are only reclassified when completion criteria are met. This should include verifying project status with relevant teams (e.g., property, project management) before transferring assets out of assets under construction. Implementing a documented review and approval process will help ensure accurate classification and compliance with accounting requirements.	Management accepts this recommendation and is implementing these controls as proposed.
15	**Inconsistent application of accrual policy** Audit testing identified instances where accruals below the £5k threshold were recorded, and other instances where accruals above £5k were not recognised, contrary to the Authority's stated policy of not accruing for amounts under £5k. This demonstrates inconsistent application of the policy and a lack of robust review over the accruals process.	2	Management should strengthen controls to ensure the accruals policy is applied consistently across all departments. This should include: - reaffirming the policy to staff responsible for preparing accruals, - implementing a review step to verify that accruals above £5k are recognised - implement a listing of accruals under £5k not recorded to ensure that it does not reach a material value These measures will help ensure compliance with the policy and improve the accuracy of year-end financial reporting.	The new SAP system will allow us to record all accruals and therefore there will no longer be a £5,000 threshold. The Finance team will be issuing new guidance to colleagues in advance of 25/26 closedown and Finance Business Partners will work with the business to ensure accruals and commitments are correctly recognised..
16	**Incorrect revaluation calculation** During audit testing of the initial revaluation workings, it became evident—following discussions with management—that the underlying calculations had not been performed correctly. This indicates a lack of adequate review and validation processes over key valuation adjustments.	2	Management should strengthen controls around the preparation and review of revaluation workings by ensuring that calculations are performed accurately and independently reviewed before being finalised. This should include clear documentation of assumptions, methodologies, and supporting evidence. Introducing a secondary review by a suitably knowledgeable member of the finance team will help ensure that revaluation journals are accurate, compliant with accounting requirements, and ready for audit.	Management accepts this recommendation and is implementing these controls as proposed.

Appendix C – Prior year recommendations

No.	Finding and/or risk	Grading	Recommendation	Management response
17	**Property valuation (PPE)** We saw limited review and challenge of the valuations prepared by the specialist. (Repeat observation)	2	Management should ensure that the valuations prepared by the specialist are subject to appropriate review and challenge of the key inputs and whether they are appropriate. We noticed a clear lack of understanding across the finance team of how the valuations are calculated and the assumptions applied. We recommend training is provided to ensure individuals are well placed to challenge the valuations and their inputs.	Management accepts this recommendation and will discuss with both the property team and the auditors in advance of the valuation work in 25/26 to ensure we have the evidence the auditors require for their testing.
18	**Property valuation (PPE)** We expanded our testing to 100% of floor areas after initial sample testing identified discrepancies. While some further differences were noted, none exceeded our reporting threshold. However, management had not performed a floor area assessment prior to submitting information to the valuer, as per our prior-year recommendation. This assessment was only completed following an audit request. (Repeat observation)	2	Management need to incorporate robust checks and challenges to information provided to the valuer and ensure this is appropriately supported by evidence and robust rationales. Management need to ensure open dialogue between the finance and estates team and that mutual understanding is enhanced between teams over the impact and importance of financial statement valuations and the inputs to the valuer.	Management accepts this recommendation and will discuss with both the property team and the auditors in advance of the valuation work in 25/26 to ensure we have the evidence the auditors require for their testing.
19	**General** a.) We identified high levels of inconsistencies between working papers and supporting evidence provided to us when compared to the financial statements submitted for audit. Significant levels of disclosure differences were also identified showing that insufficient review of the financial statements had occurred. b.) Audit supporting documents/working papers were not valid/complete such as payments certificates were not signed. (Repeat observations)	2	'-Prior to including amounts into the SOA, the relevant supports should also be reviewed by the finance team. - Listings should be maintained for each line item in the SOA, including expenditure and contras should be removed when being provided to the audit team. - Proper working papers and reconciliations need to be provided for all accounts. - Proper third-party support should be provided - Support should be provided in a manner that is easy to follow (Suggest laying it out in excel sheets) - Proper review of the SOA needs to be completed prior to sharing with the audit team. - Statement of account mapping needs to subject to detailed review as numerous mapping issues were noted. - Better communication between the finance team and all other departments is recommended to support in better understanding of journals and evidence. - Appropriate contract records need to be maintained with signed contracts in place and accessible to audit.	Management accepts these recommendations and will review the process for the preparation of the accounts in order to include these controls and improve working papers. The finance team will hold a lessons learned workshop with the auditors in order to ensure a proper understanding of what improvements are needed. The finance team has undergone significant change in the last year and new permanent staff are in place who will take these actions forward.

Appendix C – Prior year recommendations continued

Value for money arrangements

No.	Value for money reporting criteria	Risk of significant weakness	Recommendation
1.	Financial sustainability	▪ The LFC experienced a £6.1 million overspend against its set budget for 2023/24 and there was an anticipated overspend for 2024/25. Although the budget gap for 2026/27 has now been closed through additional Mayoral funding, delivering a balanced budget remains challenging and financial pressures continue for 2027/28 and future years. ▪ In 2023/24 we noted the LFC's declining reserves balances, potential future increase in borrowings and a declining cash forecast through to 2026. Aligned to this challenging financial backdrop, we identified a significant risk in this area and have completed appropriate procedures to conclude whether arrangements are appropriate.	Whilst internal arrangements are sound, the ongoing pressure in relation to Financial Sustainability continues to get more acute and requires ongoing review and governance, as well as close dialogue with Mayor and GLA. To maintain financial sustainability, we recommend this is kept as one of the highest priorities for LFC, both in terms of the implementation and monitoring of the transformation and savings programmes but also in respect of external lobbying regarding funding levels.

Appendix D – Required communications with the Commissioner

We have detailed the communications that we must provide to the Commissioner.

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Terms of engagement	Confirmation by the Commissioner of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of: ▪ The planned scope and timing of the audit ▪ The planned use of internal audit ▪ The significant risks identified When communicating 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	Audit planning report – Commissioner's Board June 2026 (Issued in April 2026)
Significant findings from the audit	▪ 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 ▪ Other significant matters, if any, arising from the audit that were discussed, or subject to correspondence with management ▪ Circumstances that affect the form and content of our auditor's report ▪ Other matters if any, significant to the oversight of the financial reporting process	Audit results report – Commissioner's Board November 2026

Appendix D – Required communications with the Commissioner continued

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: ▪ 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	Audit results report – Commissioner's Board November 2026
Misstatements	▪ A request that any uncorrected misstatement be corrected ▪ Material misstatements corrected by management ▪ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation ▪ The effect of uncorrected misstatements related to prior periods	Audit results report – Commissioner's Board November 2026

Fraud	▪ Enquiries of the Commissioner 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, unless prohibited by law or regulation any identified or suspected fraud involving:
	  ▪ Management;
	  ▪ Employees who have significant roles in internal control; or
	  ▪ Others, when the identified or suspected fraud is other than clearly inconsequential.
	▪ 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 Commissioner responsibility
		Audit results report – Commissioner's Board
		November 2026

Related parties	Significant matters arising during the audit in connection with the entity's related parties	Audit results report – Commissioner's Board November 2026

Appendix D – Required communications with the Commissioner continued

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Independence	Communication of the relevant ethical requirements, including those related to independence, that we apply for the audit engagement, including any independence requirements specific to audits of financial statements of the entity. Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, integrity, objectivity and independence Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: ▪ 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 ▪ Breaches of IESBA Code of Ethics, local independence regulations or professional standards (for breaches of the FRC Ethical Standard, include details of the breach and its significance) Communication whenever significant judgements are made about threats to integrity, objectivity and independence and the appropriateness of safeguards put in place. Communication of relevant information to those charged with governance, to enable them to provide concurrence on the non-audit services being provided.	Audit planning report – Commissioner's Board June 2026 (Issued in April 2026) Audit results report – Commissioner's Board November 2026
External confirmations	▪ Management's refusal for us to request confirmations ▪ Inability to obtain relevant and reliable audit evidence from other procedures	Audit results report – Commissioner's Board November 2026
Consideration of laws and regulations	▪ 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 Commssioner into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Commissioner may be aware of	Audit results report – Commissioner's Board November 2026

Appendix D – Required communications with the Commissioner continued

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Internal controls	▪ Significant deficiencies in internal controls identified during the audit	Audit results report – Commissioner's Board November 2026
Representations	Written representations we are requesting from management and/or those charged with governance	Audit results report – Commissioner's Board November 2026
System of quality management	How the system of quality management (SQM) supports the consistent performance of a quality audit	Audit results report – Commissioner's Board November 2026
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit results report – Commissioner's Board November 2026
Auditors report	▪ 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	Audit results report – Commissioner's Board November 2026
Auditor's Annual Report	Commentary on the Authoritys arrangements for Financial sustainability, Governance and Improving economy, efficiency and effectiveness	Audit results report – Commissioner's Board November 2026

Appendix E – Additional audit information

Objective of our audit

In addition to the key areas of audit focus outlined within the plan, we have to perform other procedures as required by auditing, ethical and independence standards and other regulations. We outline the procedures below that we will undertake during the course of our audit.

Other required procedures during the course of the audit

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtaining sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Authority to express an opinion on the consolidated financial statements. Reading other information contained in the financial statements, including the board's statement that the annual report is fair, balanced and understandable, the Commissioner reporting appropriately addresses matters communicated by us to the Commissioner and reporting whether it is materially inconsistent with our understanding and the financial statements.
- Maintaining auditor independence.

Purpose and evaluation of materiality

For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements.

Materiality determines:

- The locations at which we conduct audit procedures to support the opinion given on the Group financial statements
- The level of work performed on individual account balances and financial statement disclosures

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all of the circumstances that may ultimately influence our judgement about materiality. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.

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UKC-038208 (UK) 03/25. Creative UK.
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