

Greater London Authority Audit Results report

Year ended 31 March 2024

20 February 2025



20 February 2025



Private and Confidential
Sadiq Khan
The Mayor of London
Kamal Chunchie Way
London
E16 1ZE

Dear Mayor

Audit Results Report

Please find attached our audit results report which summarises the status of our work in relation to the audit of the Greater London Authority Group for 2023/24.

The audit is designed to express an opinion on the 2023/24 financial statements and address current statutory and regulatory requirements. This report sets out the status of our work related to the areas of audit emphasis, our views on the Greater London Authority's (the Authority's) accounting policies and judgements and material internal control findings. We have also included an update on our work on value for money arrangements.

This report is intended solely for the information and use of the Mayor, the Audit Panel, other members of the Authority, and senior management. It is not intended to be and should not be used by anyone other than these specified parties.

We would be happy to discuss the contents of this report with you.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Stephen Reid', with a horizontal line underneath.

Stephen Reid

Partner

For and on behalf of Ernst & Young LLP

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Public Sector Audit Appointments Ltd (PSAA) issued the “Statement of responsibilities of auditors and audited bodies”. It is available from the PSAA website (<https://www.psa.co.uk/audit-quality/statement-of-responsibilities/>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

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

This report is made solely to the Mayor, the Audit Panel, other members of the Authority, and senior management accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Mayor, the Audit Panel, other members of the Authority, and senior management 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 Mayor, the Audit Panel, other members of the Authority, and senior management for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



01 Executive Summary



Executive Summary

Scope update

In our Audit Planning Report presented at the 15 July 2024 Audit Panel meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan, with the following exceptions:

▶ *Changes in risk assessment and materiality*

We continually assess the level of risk associated with the audit of the Authority and, since our Audit Planning Report, we lowered the overall risk rating from 'Close Monitoring' to 'Higher' to reflect positive engagement and transparency with management over the past year.

▶ *Changes in materiality*

We updated our planning materiality assessment using the draft 2023/24 consolidated financial statements. Planning materiality for the group is £68 million (Audit Planning Report £76 million; performance materiality is £34 million (Audit Planning Report £38 million); and audit differences £3.4 million (Audit Planning Report £3.8 million).

▶ *Changes in scope*

We were notified by management of a cyber-attack suffered by TfL on the 1 September 2024 that has significantly impacted GLA's systems since the GLA use TfL as a service organisation. We evaluated the effects of the incident on the scope of our work and considered the impact on the financial statements for the year ended 31 March 2024.

Since our Audit Planning Report, we also upgraded our risk entitled 'Group Boundary Assessment' from an 'Inherent Risk' to a 'Significant Risk', which we have renamed as 'Group Boundary and Deconsolidation of London Treasury Liquidity Fund (LTLF)'. This upgrade to our risk reflects the significant complexity in accounting for the deconsolidation of LTLF and the resultant higher possibility of material misstatements in this area.



Executive Summary (cont'd)

Status of the Audit

Our audit work in respect of the Authority's financial statements is substantially complete. This report provides an update on the results of our work across the risk areas. Appendix D includes a detailed list of outstanding items required for us to complete our procedures.

Value for Money

Under the terms of the Code of Audit Practice (the 2020 Code) and associated Auditor Guidance Notes (AGN) we are required to report on significant weaknesses in a body's arrangements identified during the audit.

As communicated in our Audit Planning Report we identified one risk of significant weakness in arrangements to secure financial sustainability.

Having completed the planned procedures in this area we did not identify a significant weakness. See Section 3 of the report for further details.

Audit differences

We identified the following misstatements above our performance materiality level, which impact the GLA group and single entity financial statements as follows:

- ▶ £110 million in respect of the MOPAC Loan had been incorrectly classified as cash and cash equivalents rather than short-term Investments. This has no net impact on the assets of the Authority.
- ▶ £39.852 million in respect of acquisitions of Investment Properties within Old Oak & Park Royal Development Corporation, which had been accounted for as investments in subsidiaries.
- ▶ Significant adjustments were made in respect of the accounting treatment for the deconsolidation of London Treasury Liquidity Fund (LTLF) following the loss of control of the entity. This included adjusting figures to the up-to-date management accounts of LTLF at 29 June 2023, and derecognition of £26.8 million in respect of the value of the Investment in Associate at the balance sheet date.

These have all been corrected by management.

We have also identified a misstatement in respect of the tax liabilities at London Legacy Development Corporation, following their receipt of a letter from HMRC and subsequent engagement with their tax advisors. The current estimate of this liability is an additional £22 million in accordance with IFRIC 23. Given this value is not material to the financial statements of GLA Group, management has elected not to adjust for this difference within the Group financial statements.

Other Reporting Issues

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

We plan to complete the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts after issuing our audit opinion and therefore will certify the completion of the audit at that point.



Executive Summary (cont'd)

Areas of audit focus

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

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

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

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

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

Control observations

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements, and which are unknown to you.

We have discussed with officers that, in the future, the Authority should ensure the commissioning of appropriate accounting advice for significant, complex, or unusual transactions. This will provide additional assurance that such material and complex transactions are accurately accounted for and presented in draft unaudited financial statements.

Independence

Please refer to Section 7 for our update on Independence.



02

Areas of Audit Focus

Areas of Audit Focus

Misstatements due to fraud or error

Applicable to GLA Group and GLA Single Entity

 Fraud Risk

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

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

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

What are our conclusions ?

We have not identified any instances of inappropriate judgements being applied through our work on journal entries.

We did not identify any transactions, not separately identified as audit risks, which appeared unusual or outside the Authority's normal course of business.

We did not identify any journal entries that are indicative of fraud or management override of controls.

What did we do?

Our approach focussed on:

- ▶ 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;
- ▶ Consideration of the effectiveness of management's controls designed to address the risk of fraud;
- ▶ Determining an appropriate strategy to address those identified risks of fraud; and
- ▶ Performing mandatory procedures regardless of specifically identified fraud risks, including:
 - ▶ testing of journal entries and other adjustments in the preparation of the financial statements;
 - ▶ assessing accounting estimates for evidence of management bias; and
 - ▶ evaluating the business rationale for significant unusual transactions.

Areas of Audit Focus

Incorrect classification of capital spend

Applicable to GLA Group and GLA Single Entity

Fraud Risk

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

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

The potential for the incorrect classification of revenue spend as capital is a particular area where there is a risk of management override at the the Authority due to the material expenditure incurred on supporting housing developments both as grant expenditure (financed by capital), and the financing of the functional bodies.

What are our conclusions?

Revenue expenditure funded from capital under statute (REFCUS) is expenditure that may be capitalised under statutory provisions, but which does not result in the creation of a fixed asset to the Authority. In the 2023/24 draft financial statements expenditure classified as REFCUS totals £1,247 million.

We have completed all of our planned testing to address this risk. Having completed our work, we did not identify any material misstatements or instances of inappropriate judgements being applied.

What did we do?

Our approach focussed on:

- ▶ Testing a sample of Revenue Expenditure Funded from Capital Under Statute (REFCUS) expenditure for appropriate classification, valuation and recognition through review of grant determinations and Mayoral decisions using a lower testing threshold.
- ▶ Confirming the correctness of any reversal in the Movement in Reserves Statement, from the General Fund balance to the Capital Adjustment Account (or the capital grants unapplied account if the grant has not yet been applied).
- ▶ As part of our journal testing, we also reviewed the other side of journals posted to REFCUS to assess whether accounting entries are appropriate and are not intended to manipulate the year-end outturn position.

Areas of Audit Focus

Risk of fraud in revenue recognition - LTLF Applicable to GLA Group

Fraud Risk

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

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition.

We have considered this presumed risk in relation to those significant income streams which could be subject to manipulation and identified the revenue in LTLF which is consolidated into the Group financial statements as a material revenue stream of the Group where there could be incentive to overstate revenue.

What are our conclusions?

Investment Income recognised by LTLF for the year ended 31 March 2024 totals £179 million which is material to the GLA Group.

Detailed transaction testing of this revenue has been completed by the auditor of LTLF (also EY). We obtained and reviewed this work as Group auditor. No misstatements were identified.

We identified a separate risk over the group boundary judgements and an update on this risk is provided at page 18 of this report.

What did we do?

Our approach focussed on:

- ▶ Reviewing and discussing with management any accounting estimates on revenue recognition for evidence of bias;
- ▶ Testing a sample of revenue transactions back to source information including income into the bank, and completion statements; and
- ▶ Testing that transactions have been correctly consolidated into the group financial statements.

Areas of Audit Focus

E20 Onerous Contract Provision

Applicable to GLA Group

Significant Risk

Key Audit Matter

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

The Group consolidates E20 Stadium LLP's financial statements into its financial statements.

When the E20 stadium commenced operations, it became clear that for key contracts, the expenditure associated is likely to exceed the income received, rendering them onerous under IAS 37.

A material provision has therefore been recognised. This provision is updated annually based on judgements made by management in the E20 five-year business plan, which is extrapolated to ten years.

As a material, judgemental balance, the provision is susceptible to misstatement.

What are our conclusions?

The E20 onerous contract provision is estimated at £206.7 million in the Group financial statements.

We concluded that the basis on which the provision is recognised is in accordance with the requirements of IAS 37 as applied by the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

The judgements made, related to the onerous contract provision, in the financial statements have been appropriately described.

What did we do?

We addressed our risk through substantive testing which was performed by the component team for London Legacy Development Corporation (LLDC). The GLA Group team exercised oversight and performed additional review procedures in these areas as follows:

- ▶ We gained an understanding and evaluated key controls surrounding the calculation, management's judgements and accounting for the provision.
- ▶ We reviewed management's technical accounting paper for the onerous contract provision and its alignment with the requirements of IAS 37.
- ▶ We reviewed the inputs into the provision calculation and corroborated these to source evidence. This included the E20 Stadium business plan.
- ▶ We challenged the basis for the calculation (business plan) and specifically challenged the completeness of the costs included in determining the onerous contract provision, confirming that these should be direct costs only or the net cost of honouring or delivering the contracts per the amendments to IAS 37.
- ▶ We identified and challenged the key judgements included in the provision including the discount factor used, the valuation of naming rights, and the directly attributable costs.
- ▶ We used our EY specialists to review the valuation of the naming rights applied in the calculation.
- ▶ We used sensitivity analysis to test these key assumptions and conclude as to the appropriateness of the range of values given, and sceptically challenge whether the provision is reasonable on that basis.
- ▶ We ensured that the unwinding of the discount relating to the onerous contract provision had been appropriately reflected in the calculation and that it is treated and accounted for correctly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.
- ▶ We reviewed disclosures in the financial statements ensuring appropriate disclosure of the uncertainties and judgements.

Areas of Audit Focus

Property Valuation

Applicable to GLA Group

Significant Risk

Key Audit Matter

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

The Group balance sheet consolidates material property assets held in GLA Land and Property Ltd (GLAP), Old Oak and Park Royal Development Corporation (OPDC) and LLDC.

The valuations are derived based on complex and subjective assumptions and, considering the size of the portfolios, a small change in these assumptions can have a material impact on the Group balance sheet.

In addition, the classification of these properties determines the valuation basis and therefore an incorrect classification can lead to a misstatement in the valuation. Considering the unique nature of these assets, and the purpose for which they are held, there is a risk that property classifications, and their subsequent valuations, are not updated when trigger events (events that result in a change in classification) occur.

What are our conclusions?

We have concluded that the values of Investment Property and Inventory assets are within an acceptable range. The assets are appropriately valued and classified in accordance with the requirements of IAS 40 and IAS 2, as applied by the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

We identified one misstatement in respect of an overvaluation of Investment Property within the OPDC accounts of £12.2million. This has been adjusted within the Group financial statements.

We concluded that the balances and disclosures in the financial statements appropriately reflect the risk factors identified and are in compliance with the requirements of IAS 40 and IAS 2, as applied by the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

What did we do?

The following procedures were performed as part of our substantive testing which were performed by the component teams for LLDC, OPDC and GLAP. The Group team exercised oversight and performed additional review procedures in these areas as follows:

- ▶ We gained an understanding and evaluated key controls surrounding property and inventory valuations and accounting.
- ▶ We obtained management's valuation reports for properties valued at 31 March 2024.
- ▶ We evaluated the competence of the Group's external valuers, JLL, who cover investment property and inventory valuations. Our evaluations considered their qualifications, expertise and independence.
- ▶ We tested the valuations report prepared by the external valuers, agreeing the entries in the report back to the financial statements to confirm the accuracy of the entries.
- ▶ We selected a sample of investment properties held by GLAP, OPDC and LLDC based on size. For all assets in this sample of properties, we tested the appropriateness of assumptions applied. This included agreeing source data back to supporting evidence including development agreements and area sizes.
- ▶ We selected a sample of properties classified as inventory held by both GLAP and LLDC based on size. For all assets in this sample, we tested whether properties were appropriately recognised at the lower of cost or Net Realisable Value in accordance with IAS 2.
- ▶ We then tested the appropriateness of assumptions applied in the calculations of the Net Realisable value. For development properties held by LLDC this included agreeing assumptions over costs to complete which we agreed to forecasts from the developer. For GLAP this included agreeing inputs into the valuations prepared by management's specialist through to supporting evidence.
- ▶ We used our valuation experts to assist in our testing of assumptions for a sample of investment properties and inventory assets.

Our valuation experts reviewed and challenged the valuation approach and assessed whether the assumptions applied by the external valuers, such as the estimated rental values, discount rate, yield and development costs were supported by available data. They also considered whether other market transactions contradict the assumptions used in the valuation.
- ▶ For all assets within our sample, we challenged the purpose for which the asset was held to assess whether the property was correctly classified as inventory or investment property in line with the requirements of IAS 2 and IAS 40.

Areas of Audit Focus

Non-current financial assets held at amortised cost including Expected Credit Loss provision

Applicable to GLA Group and GLA

Significant Risk

Key Audit Matter

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

Under IFRS 9, management are required to recognise expected credits losses on loan investments classified as amortised cost. The extent of loss recognised is subjective and, as a result of the wider economic environment creating challenges for property developers. In 2023/24 we consider there to be a risk that expected credit losses could be understated.

The portfolio is made of loan investments held by GLAP in property developers as part of a wider strategy to assist in achieving the Mayor's affordable housing objectives. The Authority also holds a portfolio of long-term debtors which largely constitute loans to either subsidiaries (including LLDC and GLAP) or other third-party providers largely for the purposes of housing development. Both portfolios are material to the Group.

What are our conclusions?

The valuation of non-current financial assets held at amortised cost and the associated expected credit loss provision is supportable and consistent with the requirements of IFRS 9.

What did we do?

- ▶ We gained an understanding and evaluated key controls surrounding loan investments and long-term debtors.
- ▶ We obtained management's expected credit loss calculations for amortised cost assets at 31 March 2024 and agreed the entries back to the financial statements to confirm the accuracy of the entries.
- ▶ We evaluated the competence of the Group's external specialist, Kroll, which included consideration of their qualifications, expertise and independence.
- ▶ We agreed the credit rating used by management's specialist to third party available information and challenged any variations.
- ▶ We verified whether loans were secured by collateral through inspection of loan agreements. Where loans were secured by collateral, we compared the value of collateral against the loan exposure to assess whether additional provisions should be made.
- ▶ We engaged our EY specialist to perform a review of the assumptions for a sample of assets. Our specialist reviewed the significant assumptions applied by management's specialist including the credit rating, the loss given default, the probability of default and the exposure at default. Our specialist then independently calculated the expected credit loss for each loan to test the reasonableness of the significant assumptions used by management with oversight from the audit team.
- ▶ We performed sensitivity analysis over the calculation of the expected credit loss by adjusting the probability of default and loss given default assumptions.
- ▶ We ensured that the disclosures associated with the expected credit losses are appropriate in the Group financial statements.

Areas of Audit Focus

Group Boundary and Deconsolidation of LTLF

Applicable to GLA Group and GLA

Significant Risk

Key Audit Matter

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

Historically the Group has consolidated LTLF as the only limited partner of the Fund. However, on the 29 June 2023, five new limited partners were admitted resulting in a change to the level of control that the Authority has over the fund.

IFRS 10 requires that management assess control to determine whether it exists and whether entities should be consolidated or accounted for as joint arrangements or associates under IFRS 11 and IAS 28.

There is a risk that incorrect judgements are made over the definitions of control, and that changes in control are accounted for incorrectly considering the complexities of this unusual and complex transaction.

What are our conclusions?

Management's assessment of changes in control under IFRS 10 is supportable and the deconsolidation of LTLF has been accounted for appropriately within the financial statements. During the course of the audit we identified adjustments that were required in respect of the LTLF figures used to calculate appropriate balances as at 29 June 2023, as well as an adjustment to the final value of the residual investment in associate.

We concluded that the balances and disclosures in the financial statements and notes appropriately reflect the risk factors identified and are in compliance with the requirements of IAS 10 and IAS 28 as applied by the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

What did we do?

- ▶ We gained an understanding of the arrangements in place between the GLA and LTLF.
- ▶ We confirmed the admittance of five new limited partners during the year through to signed agreements.
- ▶ We obtained management's assessment setting out their judgement over the loss of control under IAS 10 and their assessment of the existence of significant influence under IAS 28.
- ▶ We challenged management's assessment, including the nature of voting rights, the relevant activities of the fund and decisions taken during the year at meetings of the Limited Partner Advisory Committee. We corroborated management's responses through to the Limited Partnership Agreement and to minutes and records of the Limited Partner Advisory Committee.
- ▶ We engaged our financial accounting specialists to perform a review of the accounting entries on deconsolidation including agreement of the loss on deconsolidation recognised in the financial statements.
- ▶ We reviewed the fair value of the investment in associate as at the 29 June 2023, supported by our valuation specialists.
- ▶ We ensured that the disclosures associated with the judgement over control and the deconsolidation are appropriately disclosed in the Group financial statements.

Areas of Audit Focus (cont'd)

Other areas of audit focus

What is the risk/area of focus, and key judgements and estimates?

Audit approach

Conclusions

Valuation of Long-Term Debtors classified as Fair Value through Profit and Loss

The Authority holds a material portfolio of long-term debts with various counterparties, including subsidiaries and organisations outside of the Group. Debtors measured at Fair Value Through Profit and Loss (FVTPL) are carried at fair value. Where quoted market prices are not available, valuation techniques are used to determine the fair value. These include models using both observable and unobservable market inputs.

Our approach focussed on:

- ▶ Reviewing a sample of long-term debtors to determine whether the valuation was appropriately recorded.
- ▶ Considering the work performed by the Authority's specialist who are engaged to value long-term debtors measured at FVTPL, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work.
- ▶ Engaging our EY technical specialist, to review the valuation of a sample of loans in accordance with IFRS 13.

Long-term debtors classified at fair value through profit and loss total £562.7 million as at 31 March 2024.

Having completed all of the designed procedures, including engagement of our specialists, we did not identify any material misstatements.

East Bank Grant provision

The Group balance sheet contains an East Bank grant provision recognised by LLDC on the basis that management has determined that a constructive obligation exists under the agreements with the respective East Bank partners to contribute towards the costs of their buildings.

LLDC concluded that its contributions towards the cost of the cultural and education buildings (University of the Arts London, V&A, Sadler's Wells and BBC) and the retail units at Stratford Waterfront require a provision to be established from the date that the agreements for lease were signed (all pre-31 March 2020). The provision is based on LLDC's best estimate of the expenditure required to settle the present obligation at the end of the reporting period which could be subject to changes in assumptions over time.

Our approach focussed on:

- ▶ Obtaining the workings prepared by management relating to East Bank provision, and review and challenge its calculation.
- ▶ Ensuring that the basis used for the provision is properly supported with evidence.
- ▶ Testing that the costs incurred and charged against the provision during the year are correct.
- ▶ Reviewing and testing the accounting entries and disclosures made within the financial statements are in accordance with the CIFPA Code.

The East Bank grant provision is disclosed within the 2023/24 financial statements at £144.8 million.

We have completed our procedures on the East Bank Grant provision, having completed the work we have not identified any misstatements to the Group financial statements.

Areas of Audit Focus (cont'd)

Other areas of audit focus

What is the risk/area of focus, and key judgements and estimates?

Audit approach

Conclusions

Valuation of investments held in Funding London entities

The Group consolidates investments held by London Co-Investment Fund LLP (LCIF), Greater London Investment Fund Limited (GLIF) and SME Wholesale Finance Limited (SMEWFL) otherwise referred to as 'Funding London entities'. The entities are established to provide loan and equity finance to small and medium sized enterprises across London.

Some of these valuations are performed by fund managers and are based on subjective assumptions and the nature of the companies being invested in means that the investments could be subject to impairment.

We:

- ▶ Understood the basis on which investments are valued and considered whether that basis is appropriate.
- ▶ Obtained third party confirmations from fund managers for a sample of investments.
- ▶ Recalculated the valuation where recent share sales is used as a proxy for the valuation and obtain evidence from Companies House to support the share price.
- ▶ For investments not measured by reference to share prices we understood and challenged the basis of valuation and used our specialists to review the underlying assumptions.
- ▶ Performed credit check reviews to assess for indicators of impairment.

The total value of these investments recognised in the Group 2023/24 financial statements is £195.5 million.

We performed our designed procedures, including engaging our specialists to test a sample of investments. We did not identify any material misstatements.

Business rates appeals provision

The business rates appeals provision is a highly material estimate within the Authority's financial statements. The Authority's share of the business rates appeals provision is calculated as 37% of the total appeals provision for each of the 33 London billing authorities.

In estimating their provision each London billing authority has regard to the settlement rates of historical appeals and the level of challenges unresolved at the financial year end as well as risks of future challenges which have a backdated impact including those arising from material changes of circumstances.

Our approach focusses on:

- ▶ Reviewing the steps taken by the Authority to ensure that the provision is reasonable and compliant with IAS 37.
- ▶ Agreeing the provision to appropriate underlying information, specifically business rates returns and financial statements.
- ▶ Reviewing the movement in provision made by individual London boroughs and challenge any movements outside of our expectations.

The value of the business rates appeals provision recognised in the 2023/24 financial statements is £286.7 million.

We completed our work in relation to this provision and did not identify any material misstatements.

Areas of Audit Focus (cont'd)

Other areas of audit focus

What is the risk/area of focus, and key judgements and estimates?

Audit approach

Conclusions

Pension Valuation

The Authority's pension fund position is a material and sensitive balance driven by complex assumptions involving judgement and estimation. The information disclosed is based on the IAS 19 report issued by the actuaries to the administering body; the London Pensions Fund Authority.

Our approach focussed on:

- ▶ Liaising with the auditor of the administering authority (London Pension Fund Authority), to obtain assurances over the information supplied to the actuary in relation to the Authority.
- ▶ Assessing the work of the Pension Fund actuary (Barnett Waddingham LLP), 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 pensions team.
- ▶ Assessing whether any pension surplus has been recognised in accordance with IAS 19 and IFRIC 14 and our understanding of the Local Government Pension Scheme deeds.
- ▶ Reviewing and testing the accounting entries and disclosures made within the Authority and the Group financial statements in relation to IAS19.
- ▶ Engaging our EY pensions specialists to recalculate the liability based on the assumptions and data in the IAS 19 report to confirm accuracy.

In 2023/24 the Authority's share of the scheme is in a surplus valued at £57.2 million.

We completed our work to assess the recognition of the pension surplus which has been appropriately recognised in the financial statements. We have obtained the required assurances from the auditor of the London Pension Fund Authority and have no material differences to report.

Our EY pension specialists were able to independently recalculate the liability to within an appropriate tolerance threshold at the balance sheet date.

As a result of completing our procedures, we have not identified any material misstatements.

Profit sharing arrangements with other bodies

The Group has two profit sharing arrangements:

- ▶ The Authority with the Department for Culture, Media and Sport (DCMS) whereby net proceeds on the sale of plots of land owned by LLDC, if realised, are shared.
- ▶ GLAP has an agreement with the Ministry of Housing, Communities and Local Government (MHCLG) and the Big Lottery whereby net proceeds on the sale of land at Greenwich Peninsula are shared.

There is a risk that a liability exists which should be recognised, or appropriately disclosed, within the Group financial statements.

Our approach focussed on:

- ▶ Discussing the arrangement with management and gain an understanding of the agreements.
- ▶ Obtaining management's assessment of the agreements and how these impact on the financial statements and corroborate statements through to the signed agreements.
- ▶ Considering and assessing whether a liability exists against the requirements of IAS 37.
- ▶ Ensuring appropriate disclosure within the Group financial statements.

For the year-ended 31 March 2024, management has assessed that both arrangements meet the definition of a contingent liability under IAS 37.

We have reviewed management's assessment and corroborated this to supporting evidence. Having reviewed this, and the underlying agreements, we agree with management's assessment to include a contingent liability disclosure for both arrangements in the Group financial statements.

Areas of Audit Focus (cont'd)

Other areas of audit focus

What is the risk/area of focus, and key judgements and estimates?

Audit approach

Conclusions

Accounting for Capital Acquisitions within OPDC

OPDC has made significant capital acquisitions in 2023/24. This marks significant capital expenditure for the organisation which has historically had a small capital programme.

There is a risk that incorrect judgements are made when classifying these assets which could have a material impact on financial statements.

Our approach focussed on:

- ▶ Obtaining management's assessment of the nature of the capital acquisitions and how these will be accounted for in line with accounting standards.
- ▶ Corroborating key judgments in management's assessment to supporting evidence.
- ▶ Challenging management's assessment against any contra indicators.
- ▶ Assessing whether changes to our designed procedures are required as a result of our review of management's assessment.

We have identified that acquisitions at OPDC had been classified as an investment in subsidiary. This should have been accounted for as an investment in property acquisitions. Management therefore adjusted the financial statements to reflect the appropriate accounting treatment. This totals £39.852 million.

Going Concern disclosures

From our risk assessment procedures, we do not assess there to be a risk over the going concern position of the Group for the year-ended 31 March 2024.

In the prior year, we provided recommendations to management in relation to the going concern disclosure in the financial statements. We requested that the disclosure were updated to focus on the Group position and forward-looking risks.

The going concern disclosure is an important disclosure to readers of the financial statements and there is a risk that the position is not articulated in a way that reflects our recommendations

Our approach focussed on:

- ▶ Obtaining management's disclosure early in the audit process to review and challenge the structure and provide feedback ensuring that the prior year recommendations were addressed.

Based on the work we performed we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's ability to continue as a going concern for a period to 31 March 2026. This is appropriately disclosed in the Group financial statements.

Non-Compliance with Laws and Regulations (NOCLAR)

Non-Compliance with Laws and Regulations includes:

Any act or suspected act of omission or commission (intentional or otherwise) by the entity (including any third parties under the control of the entity such as subsidiaries, those charged with governance or management or an employee acting on behalf of the company), either intentional or unintentional, which are contrary to the prevailing laws or regulations

Management Responsibilities

“It is the responsibility of management, with the oversight of those charged with governance, to ensure that the entity’s operations are conducted in accordance with the provisions of laws and regulations, including compliance with the provisions of laws and regulations that determine the reported amounts and disclosures in an entity’s financial statements.”

ISA 250 A, para 3

“The directors’ report must contain a statement to the effect that... so far as the director is aware, there is no relevant audit information of which the company’s auditor is unaware, and he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company’s auditor is aware of that information.”

ISA 250A, para 3

“Management is responsible for communicating to us on a timely basis, to the extent that management or those charged with governance are aware, all instances of identified or suspected non-compliance with laws and regulations ...”

Audit Engagement Letter

Management’s responsibilities are also set out in the International Ethics Standard Board of Accountants’ International Code of Ethics (IESBA Code) Para 360.08

Auditor Responsibilities

The International Ethics Standard Board of Accountants’ International Code of Ethics (IESBA Code) section 360 sets out the scope and procedures in relation to responding to actual or suspected non-compliance with laws and regulations.

Professional accountancy organisations who are members of the International Federation of Accountants (IFAC), such as the Institute of Chartered Accountants in England and Wales (ICAEW) are required to adopt the IESBA Code of Ethics.

We as your auditor are required to comply with the Code by virtue of our registration with ICAEW

“If the auditor becomes aware of information concerning an instance of non-compliance or suspected non-compliance with laws and regulations, the auditor shall obtain:
An understanding of the nature of the act and the circumstances in which it has occurred;
and Further information to evaluate the possible effect on the financial statements
The auditor shall evaluate the implications of the identified or suspected non-compliance in relation to other aspects of the audit, including the auditor’s risk assessment and the reliability of written representations, and take appropriate action.”

ISA 250A, paras 19 and 22

Examples of Non-Compliance with Laws and Regulations (NOCLAR)

Matter:

- Suspected or known fraud or bribery
- Health and Safety incident
- Payment of an unlawful dividend
- Loss of personal data
- Allegation of discrimination in dismissal
- HMRC or other regulatory investigation
- Deliberate journal mis-posting or allegations of financial impropriety.
- Transacting business with sanctioned individuals

Implication:

- Potential fraud/breach of anti-bribery legislation.
- Potential breach of section 2 of the Health and Safety at Work Act 1974.
- Potential breach of Companies Act 2006.
- Potential GDPR breach.
- Potential non-compliance with employment laws.
- Suspicion of on-compliance with laws/regulations.
- Potential fraud/breach of Companies Act 2006.
- Potential breach of sanctions regulations.

Non-Compliance with Laws and Regulations (NOCLAR) (cont'd)

What are the implications of NOCLAR matters arising?

Depending on the nature and significance of the NOCLAR matter the following steps are likely to be required, involving additional input from both management and audit.

This can have an impact on overall achievability of audit timeline and fees.

To date, in 2023/24 we have become aware of one instance of potential non-compliance with laws and regulations which have required us to complete extended procedures in order to assess the risk to the financial statements. See the next page for further details.



Management response:

Timely communication of the matter to auditors (within a couple of days)

Determine who will carry out any investigation into the matter - in-house or external specialists or mix of both

Scope the investigation, in discussion with the auditors

Evaluate findings and agree next steps

Determine effect on financial statements including disclosures

Prepare a paper, summarising the outcome of the investigation and management's conclusions

Communicate the outcome to Those Charged With Governance (TCWG) and to us as your auditors. Report to regulators where required.

Key Reminders:

- ▶ Make sure that all areas of the business are aware of what constitutes actual or potential non-compliance and associated requirements
- ▶ Communicate with us as your auditors on a timely basis - do not wait for scheduled audit catch-ups
- ▶ Engage external specialists where needed
- ▶ Ensure that your investigation assesses any wider potential impacts arising from the matter, not just the matter itself.
- ▶ Plan upfront and consider any impact on overall accounts preparation and audit timeline - discuss the implications with us as your auditor

Audit response:

Initial assessment of the NOCLAR matter and its potential impact

Initial consultation with risk team to determine responsive procedures and the involvement of specialists

Understand and agree scope of management's investigation with support from specialists as needed

Evaluate findings and undertake appropriate audit procedures

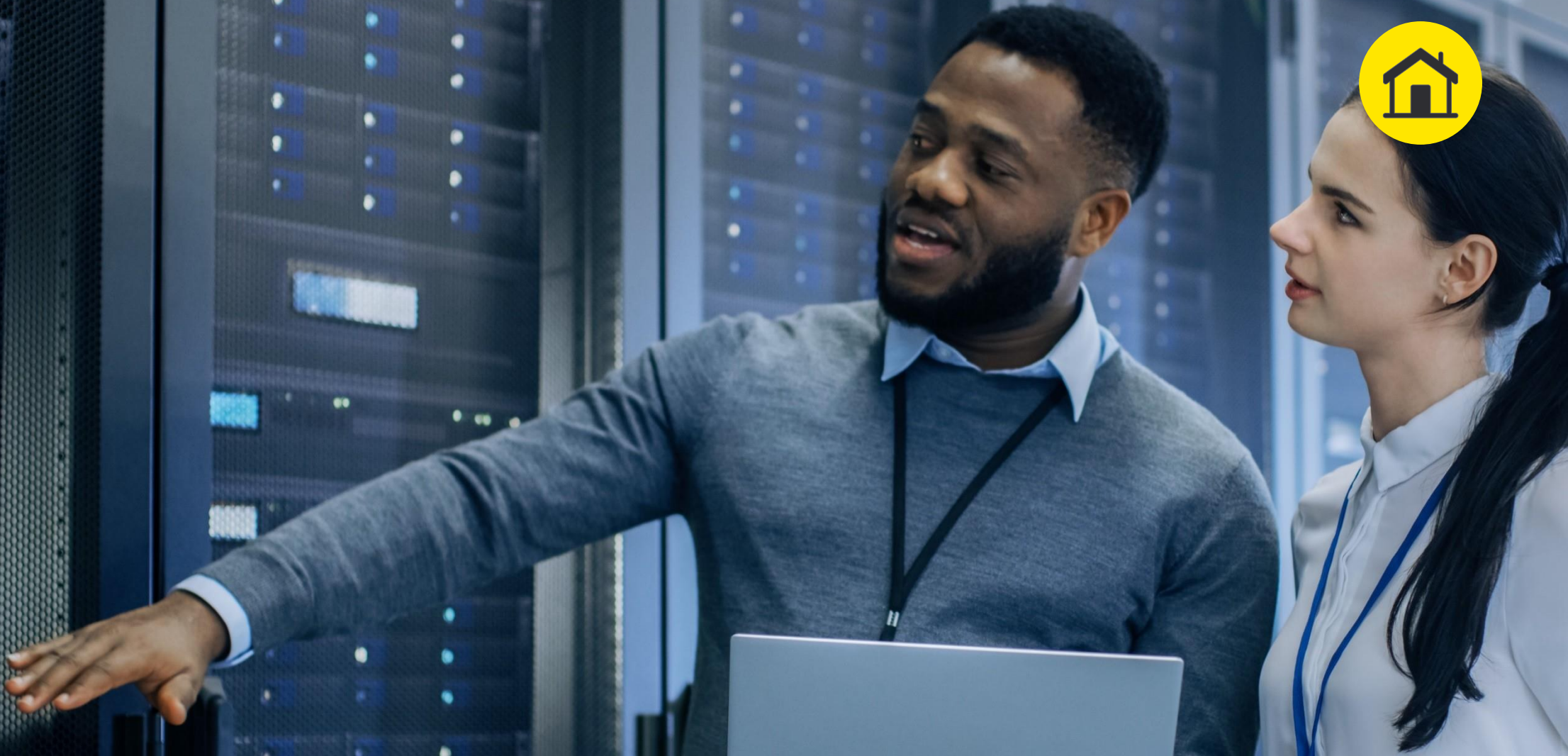
Determine audit related impact including accounting and disclosure and audit opinion implications

Document and consult on the outcome of our procedures

Communicate the outcome with management, TCWG and where necessary other auditors within the group or regulators

Non-Compliance with Laws and Regulations (NOCLAR) (cont'd)

Potential non-compliance matter	What did we do?	What are our conclusions?
<p>Cyber Incident</p> <p>The Authority uses TfL as a service organisation for key financial systems including the general ledger, accounts payable, accounts receivable and payroll.</p> <p>On 1 September 2024, TfL was subject to a cyber-attack which impacted these financial systems.</p>	<ul style="list-style-type: none"> ▶ The audit team held meetings with management to understand the fact pattern and timeline as well as mitigations taken by management. ▶ The audit team obtained evidence to support the date at which the attack occurred and read correspondence with the Information Commissioner's Office (ICO) to confirm that notification had taken place and the outcome ▶ We considered the impact to the financial statements. 	<p>We agree with management's assessment that the attack is a non-adjusting post balance sheet event, and this has been appropriately disclosed in the financial statements for the year ended 31 March 2024.</p>
<p>LLDC use of capital losses for tax calculations</p> <p>LLDC has an ongoing Corporation Tax enquiry with HM Revenues and Customs (HMRC) relating to its use of taxable losses generated in current and prior years by the E20 Stadium LLP.</p> <p>Whilst the outcome is not yet certain, under IFRIC 23 this now requires recognition as a liability.</p>	<ul style="list-style-type: none"> ▶ The component audit team held meetings with management to understand the fact pattern and timeline as well as mitigations taken by management. ▶ The component team reviewed the tax computations and engaged EY tax to perform a review of these computations. ▶ The Group audit team reviewed the work of the component team and EY tax specialists and considered the impact on the financial statements. 	<p>We agree with management's assessment that the adjustment required to the Group financial statements is not material, at £22million. Management has therefore concluded not to make any further amendments or disclosures to the financial statements for the year ended 31 March 2024. We have therefore included this in our schedule of uncorrected differences.</p>



03 Value for Money

Value for Money

The Authorities responsibilities for value for money (VFM)

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 its financial statements, the Authority is required to bring together commentary on its governance framework and how this has operated during the period in a governance statement. In preparing its governance statement, the Authority tailors the content to reflect its own individual circumstances, consistent with the requirements set out in the CIPFA code of practice on local authority accounting. This includes a requirement to provide commentary on its arrangements for securing value for money from their use of resources.

Risk assessment and status of our work

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

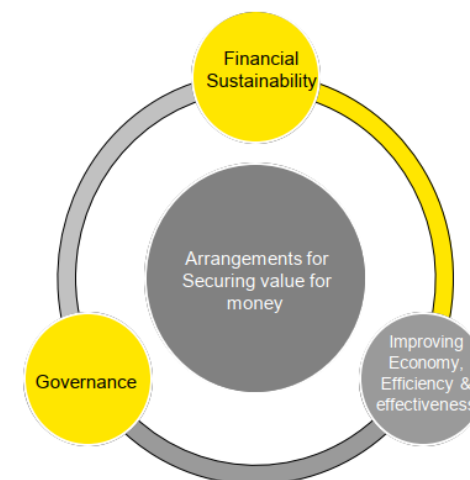
Our value for money planning and the associated risk assessment is focused on gathering sufficient evidence to enable us to document our evaluation of the Authority's arrangements, to enable us to draft a commentary under three reporting criteria (see below). This includes identifying and reporting on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

We will provide a commentary on the Authority's arrangements against three reporting criteria:

- ▶ 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; and
- ▶ 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.

We have completed our detailed VFM work and identified one risk of significant weakness as documented on the next page



Value for Money (cont'd)

Risk of significant weakness in VFM arrangements

What is the risk of significant weakness?

Finance arrangements and sustainability

The GLA has a clear strategic direction to deliver efficiency and value through the collaboration of all the organisations in the GLA Group. However, the impact of current and future levels of high inflation, interest rates and economic market conditions drive uncertainty over the future financial position particularly for the GLA Mayoral Development Corporations where there is a risk that financial commitments cannot be met; existing plans and programmes cannot be delivered in full; Mayoral priorities cannot be pursued; and business as usual suffers.

In addition to this, there is still funding uncertainty over the long-term funding position due to the further delay in the implementation of planned reforms to local government finance. This combined with the impact on the council tax and business rates taxbase, arising from the impact of the cost-of-living crisis makes forward planning with a degree of certainty challenging and creates additional pressure on the delivery of savings.

What arrangements did this impact?

Financial Sustainability:

How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them

What did we do?

Our approach focuses on:

- What approach the Authority has to medium term financial planning during 2023/24, and how assumptions are used in the preparation of the 2024/25 budget and Medium-Term Financial Strategy;
- What the arrangements are to assess and assure that the available reserves and cash balances are adequate to support the Medium-Term Financial Strategy and that they are used in a sustainable manner;
- How the Authority reviews and considers alternative delivery models and monitors the impact of programmes within the Mayoral Development Corporations, including contingency plans to ensure that commercial opportunities are maximised; and
- Review of savings plans and how these are considered and assessed to support medium term financial planning.

Findings

Based on our review of the Authority's minutes, documents and reports presented at relevant committee meetings, the Authority has the arrangements in place that we would expect to enable it to carry out its financial plan and manage its resources effectively. This ensures the Authority can continue to deliver its services. The Authority prepared a balanced 2024/25 budget which was influenced by the Mayor to facilitate delivery of his manifesto. It was approved on the 27 February 2024. The Authority's Budget & Performance Committee is responsible for reviewing and challenging the budgets and performance of the Authority and functional bodies through a process of quarterly reviews.

The Mayoral Guidance for 2024/25 covered the years 2023/24 to 2026/27 and was based on a core central scenario. The core central scenario is a prudent scenario prepared in the absence of confirmed key financial information from central government. It assumes an uplift of 2.5 per cent in total recurring retained business rates income for the Group for 2024-25; and a 2 per cent uplift thereafter. It also assumes a 1.5 per cent uplift in the overall council tax base; and the Band D council tax precept will increase by 2.99 per cent (plus £20 for TfL) for police and non-police services in 2024-25 and 1.99 per cent for police and non-police services thereafter which are considered appropriate and prudent based on our review.

Value for Money (cont'd)

Risk of significant weakness in VFM arrangements

The Mayor's budget gave criteria on the utilisation of reserves including specifying expected movements in reserves during the medium term. Total Group reserves are forecast to decrease to £688.2 million in 2024/25 in line with the final budget due to planned movements, including the planned decrease to the Transport Services Funding reserve to fund the Mayor's vehicle scrappage scheme associated with the ULEZ expansion to the whole of the Greater London area.

Review of the cashflow balances indicates the Authority remains in a positive position throughout 2024/25 and are expected to do so into 2025/26. The cashflow balances have factored in known decreases to income, as well as reduced expenditure and utilisation of reserves. We did not identify any immediate risks that would have a negative impact on the cash balances of the Authority for the next financial year.

The Authority has a Finance and Policy Liaison Group that meets monthly to discuss activities occurring within the Mayoral Development Corporations, being London Legacy Development Corporation and Old Oak and Park Royal Development Corporation. These meetings are attended by the Authority and the relevant indivisibles from LLDC / OPDC. The meetings are chaired by the Mayor's Chief of Staff. At these meetings there is discussion on major projects including costs, key issues and potential risks. As well as finance and performance monitoring which allows the Authority to provide oversight and challenge to the activities within these organisations.

Having completed our planned procedures, and obtained evidence to support the arrangements, we have not identified a significant weakness in the Authority's arrangements to secure value for money.



04 Audit Differences

Audit Differences

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

Summary of adjusted differences

Differences Identified within OPDC financial statements that impact on the GLA Consolidated Group financial statements:

- ▶ £39.852 million in respect of acquisitions of Investment Properties within Old Oak & Park Royal Development Corporation, which had been accounted for as Investments in Subsidiaries.
- ▶ £12.2 million in respect of the overvaluation of Investment Properties, as a result of the applied accounting treatment.

Errors Identified within GLA single entity financial statements:

- ▶ £110 million in respect of the MOPAC Loan had been incorrectly classified as a cash and cash equivalents rather than a short-term investments. This has no net impact on the assets of the Authority.
- ▶ Significant adjustments were made in respect of the accounting treatment for the deconsolidation of LTLF following the loss of control of the entity. This included adjusting figures to the up-to-date management accounts of LTLF at 29 June 2023, and derecognition of £26.8 million in respect of the value of the Investment in Associate at the balance sheet date.

These were corrected by management.

Summary of unadjusted differences

We have also identified a misstatement in respect of the tax liabilities at London Legacy Development Corporation, following their receipt of a letter from HMRC and subsequent engagement with their tax advisors. The current estimate of this liability is an additional £22 million in accordance with IFRIC 23. Given this value is not material to the Group financial statements, management has elected not to adjust for this difference.

Audit Differences (cont'd)

Disclosure differences

A number of disclosure differences impacting the financial statements were identified through the course of our audit, all of which have been corrected by management. These include:

- ▶ Enhanced narrative disclosures over the critical judgement surrounding the Authority's loss of control of LTLF during the year. This is now disclosed with note 5, Judgements and Estimates.
- ▶ Narrative disclosure added regarding the current position for the Local Government Pension Scheme following the UK High Court (Virgin Media Limited v NTL Pension Trustees II Limited) ruling that certain historical amendments for contracted-out defined benefit schemes were invalid if they were not accompanied by the correct actuarial confirmation.



05

Assessment of Control Environment

Assessment of Control Environment

Financial controls

It is the responsibility of the Authority to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Authority has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. However, as we have adopted a fully substantive approach, we have not tested the operation of controls.

Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.

We have discussed with officers that, in the future, the Authority should ensure the commissioning of appropriate accounting advice for significant, complex, or unusual transactions. This will provide additional assurance that such material and complex transactions are accurately accounted for and presented in draft unaudited financial statements.



06

Other Reporting Issues

Other Reporting Issues

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

We must give an opinion on the consistency of the financial and non-financial information in the Greater London Authority Statement of Accounts 2023/24 with the audited financial statements.

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

Financial information in the Greater London Authority Statement of Accounts 2023/24 and published with the financial statements was consistent with the audited financial statements.

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

Whole of Government Accounts

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

We have not yet performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission as we are awaiting guidance from the NAO. We cannot issue our Audit Certificate until these procedures are complete.

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. "a report in the public interest"). We did not identify any issues which required us to issue a report in the public interest.

Other Reporting Issues (cont'd)

Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Authority's financial reporting process. They include the following:

- ▶ Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- ▶ Any significant difficulties encountered during the audit;
- ▶ Any significant matters arising from the audit that were discussed with management;
- ▶ Written representations we have requested;
- ▶ Expected modifications to the audit report;
- ▶ Any other matters significant to overseeing the financial reporting process;
- ▶ Findings and issues around the opening balance on initial audits (if applicable);
- ▶ Related parties;
- ▶ External confirmations;
- ▶ Going concern;
- ▶ Consideration of laws and regulations; and
- ▶ Group audits

We have no other matters to report.

Other Reporting Issues (cont'd)

ISA (UK) 315 (Revised): Identifying and Addressing the Risks of Material Misstatement

ISA 315 is effective from FY 2022/23 onwards and is the critical standard which drives the auditor's approach to the following areas:

- ▶ Risk Assessment
- ▶ Understanding the entity's internal control
- ▶ Significant risk
- ▶ Approach to addressing significant risk (in combination with ISA 330)

The International Auditing & Assurance Standards Board (IAASB) concluded that whilst the existing version of the standard was fundamentally sound, feedback determined that it was not always clear, leading to a possibility that risk identification was not consistent. The aims of the revised standard is to:

- ▶ Drive consistent and effective identification and assessment of risks of material misstatement
- ▶ Improve the standard's applicability to entities across a wide spectrum of circumstances and complexities ('scalability')
- ▶ Modernise ISA 315 to meet evolving business needs, including:
 - how auditors use automated tools and techniques, including data analytics to perform risk assessment audit procedures; and
 - how auditors understand the entity's use of information technology relevant to financial reporting.
- ▶ Focus auditors on exercising professional scepticism throughout the risk identification and assessment process.

We set out the findings and conclusions from our work to implement ISA 315 in the table below.

Audit Procedures

We performed the following procedures:

We obtained an understanding of the IT processes related to the IT applications of the Authority. The Authority has two relevant IT applications for the purposes of ISA 315 risk assessment.

- ▶ **We performed procedures to determine if there are typical controls missing or control deficiencies identified and evaluated the consequences for our audit strategy.**
- ▶ **When we have identified controls relevant to the audit that are application controls or IT-dependent manual controls, we performed additional procedures such as system walk-throughs.**
- ▶ **We reviewed the following processes for both relevant IT applications:**
 - Manage vendor supplied changes
 - Manage security settings
 - Manage user access

Audit findings and conclusions

No significant issues were identified in our review of the various processes, including the design and implementation effectiveness of relevant controls around the financial statement close process. We have not tested the operation of any controls through this review.



07 Independence

Independence - Relationships, services and related threats and safeguards

Relationships

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

There are no relationships from 1 April 2023 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Services provided by EY

The next page includes a summary of the fees for the year ended 31 March 2024 in line with the disclosures set out in FRC Ethical Standard and in statute. Full details of the services that we have provided are shown below. We highlight in the table below the most significant services that may be reasonably considered to bear upon our integrity, objectivity and independence.

Description of service	Related independence threat	Safeguards adopted and reasons considered to be effective
Audit of the financial statements of components	▶ Self-interest	<ul style="list-style-type: none">▶ We are also auditors of the component entities of the GLA, GLAH/P, LPC, LLDC Group, LTLF and OPDC.▶ We have separate audit teams and different signing partners between the GLA and the component entities. Therefore, while we have the ability to operate as a team to reduce duplication, there is different challenge and review at partner level of the work performed to ensure segregation.
Opinion on the GLA Summary Accounts (non-audit service)	▶ Self-interest	<ul style="list-style-type: none">▶ We also provide an opinion on the GLA Summary Accounts.▶ We have an engagement quality reviewer who performs a review of the audit teams addition to the partner in charge to provide challenge and ensure segregation.

There are no other threats that we identified at the date of this report.

Independence - Fees

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.

As part of our reporting on our independence, we set out here a summary of the expected fees for the year ended 31 March 2024.

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; and
- ▶ The Authority has an effective control environment.

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.

Fees for the auditor's consideration of correspondence from the public and formal objections will be charged in addition to the scale fee.

*The 2022/23 position includes a fee variation of £113, 247 which reflects work required to address a reduced materiality resulting from Close Monitoring risk rating, response to Non-Compliance matters and other issues. This is the final approved fee per PSAA.

** The 2023/24 fee variation estimated range of £180,000 to £325,000 reflects areas where we incur work in addition to the planned level of work built into the scale fee. Detail behind this estimate is shown on the next page.

	Current Year	Prior Year
	Proposed fee £	£
GLA Audit - Scale Fee	397,077	140,448
Audit of subsidiaries (see table below)	663,520	422,821
Total scale fee	1,060,597	563,269
Scale Fee Variation - GLA Audit (see next page)	180,000-325,000**	113,247*
Total Group Audit Fee	TBC	707,874
GLA Summary Accounts	5,000	4,500
Total other non-audit services	5,000	4,500
Total fees	TBC	712,374

	Current Year	Prior Year
	£	£
E20 Stadium LLP	47,000	47,000
GLAP Holdings Ltd	198,180	164,897
London Treasury Liquidity Fund GP Ltd	8,000	7,500
London Treasury Liquidity Fund GP LP	25,500	24,250
LLDC	221,751	67,347
London Power Co Ltd	19,580	18,130
London Treasury Ltd	19,500	10,000
London Treasury Ltd - CASS Reporting	12,000	11,500
LS185 Ltd	38,000	38,000
OPDC	67,009	18,697
Stratford East London Development Co.	7,000	7,000
Total fees	663,520	422,821

Independence – Fees



Scale fee variations are agreed when we incur work in addition to the planned level of work built into the scale fee.

For the GLA audit, we do not believe that the current scale fee reflects additional work we are required to perform on the GLA audit in 2023/24. The details of which are discussed below:

► Use of specialists

As described in section 02 of this report we plan to use a number of different EY specialists to support our work on risk areas.

► IFRS 16 implementation

IFRS 16 will be implemented for the first time from the 1st April 2025. We will be required to perform additional work in 23/24 to assess implementation arrangements and ensure appropriate disclosures in the financial statements.

► ISA 315 (revised)

The Financial Reporting Council (FRC) has published revisions to International Standard on Auditing (UK) 315, Identifying and Assessing the Risks of Material Misstatement which require us to undertake additional procedures over the Authority's use of IT. (See further details at page 35)

► Funding London

As described in our audit plan we cannot place reliance on the auditors of these entities due to independence. As a result we must perform the testing of the material balances as a GLA Group audit team.

► 50% Performance Materiality

As described in our audit plan we have set our performance materiality at a lower level as a result of the risk profile. This means we must perform increased testing across all areas, including at components.

► Group Oversight

As a result of the complexities of the GLA Group and the level of significant risks within component teams we must apply increased group oversight including attendance at meetings and enhanced review procedures.

► OPDC in scope

OPDC is material to the GLA Group for the first time in 2023/24. This means that the component falls into scope for Group reporting. We will have to issue group instructions, engage frequently with the OPDC team and perform a detailed review and documentation of the audit teams work which we have not historically had to do.

The table below represents a detailed breakdown of our estimated fee variation in 2023/24 :

	Current Year
	Proposed fee range £
Use of Specialists (As described in this report)	30,000- 60,000
IFRS 16 implementation	5,000-10,000
ISA 315 (New Standard)	15,000- 20,000
Funding London	20,000- 30,000
50% Performance Materiality	25,000- 45,000
Group Oversight	10,000- 40,000
OPDC in scope	25,000- 45,000
Cyber Incident	10,000 - 25,000
Deconsolidation of LTLF	40,000-50,000
Total fees	180,000-325,000

► Cyber Incident

As described on page 21 we are assessing the level of additional audit procedures as a result of the cyber-attack that occurred in September 2024.

► Deconsolidation of LTLF

Additional work to audit this significant, unusual transaction including specialist involvement from our Financial Reporting Group colleagues and our Financial Accounting Advisory Services specialists.

All scale fee variations will be discussed with management and PSAA for the 2023/24 audit. The above amounts are estimates and could vary dependant on the level of work required.

Independence

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 2024 and can be found here: [EY UK 2024 Transparency Report](#).



08

Appendices

Appendix A – Audit approach update

Audit approach update

We summarise below our approach to the audit of the balance sheet and any changes to this approach from the prior year audit.

Our audit procedures are designed to be responsive to our assessed risk of material misstatement at the relevant assertion level. Assertions relevant to the balance sheet include:

- ▶ Existence: An asset, liability and equity interest exists at a given date
- ▶ Rights and Obligations: An asset, liability and equity interest pertains to the entity at a given date
- ▶ Completeness: There are no unrecorded assets, liabilities, and equity interests, transactions or events, or undisclosed items
- ▶ Valuation: An asset, liability and equity interest is recorded at an appropriate amount and any resulting valuation or allocation adjustments are appropriately recorded
- ▶ Presentation and Disclosure: Assets, liabilities and equity interests are appropriately aggregated or disaggregated, and classified, described and disclosed in accordance with the applicable financial reporting framework. Disclosures are relevant and understandable in the context of the applicable financial reporting framework

There were no significant changes to our audit approach from the prior year. We carried out a fully substantive audit on all balances.

Appendix B – Summary of communications

Summary of communications

Date	Nature	Summary
07 February 2024	Meeting	The outgoing partner responsible for previous years audit opinions, and the incoming partner responsible for the audit opinion for 2023/24, met with management.
18 April 2024	Meeting	The partner in charge of the engagement met with management to discuss focus areas of the audit this year.
16 May 2024	Report	The audit planning report, including confirmation of independence, was issued to management and the Mayor.
08 July 2024	Meeting	The partner in charge of the engagement and other senior members of the audit team, met with the CEO to discuss organisational risks, developments and opportunities.
25 September 2024	Meeting	The partner in charge of the engagement met with management to discuss the cyber-incident and impacts alongside audit status update and key emerging issues. .
02 October 2024	Report	Audit Status Report shared with management and the Mayor.
17 October 2024	Meeting	The partner in charge of the engagement attended the meeting of the Audit Panel to present the audit status report.
20 February 2025	Report	Audit Results Report shared with management and the Mayor.

In addition to the above specific meetings and letters the audit team met with the management team multiple times throughout the audit to discuss audit findings.

Appendix C - Required communications with the Mayor

Required communications with the Those Charged with Governance

There are certain communications that we must provide to Those Charged with Governance of UK entities. For the GLA, those charged with Governance is the Mayor. We have detailed these here together with a reference of when and where they were covered:

Our Reporting to you

Required communications	What is reported?	When and where
Terms of engagement	Confirmation by the Mayor 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	<p>Communication of:</p> <ul style="list-style-type: none"> ▶ The planned scope and timing of the audit ▶ Any limitations on the planned work to be undertaken ▶ The planned use of internal audit ▶ The significant risks identified <p>When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.</p>	Audit planning report - May 2024
Significant findings from the audit	<ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process 	<p>Audit results report - February 2025</p> <p>Auditors Annual Report - May 2025</p>

Appendix C - Required communications with the Mayor (cont'd)

Our Reporting to you

Required communications

What is reported?

When and where

Public Interest Entities

For the audits of financial statements of public interest entities our written communications to the Mayor include:

- A declaration of independence
- The identity of each key audit partner
- The use of non-EY firms or external specialists and confirmation of their independence
- The nature, frequency and extent of communications
- ▶ A description of the scope and timing of the audit
- ▶ Which categories of the balance sheet have been tested substantively or controls based and explanations for significant changes to the prior year, including first year audits
- ▶ Materiality
- ▶ Any going concern issues identified
- ▶ Any significant deficiencies in internal control identified and whether they have been resolved by management
- ▶ Subject to compliance with regulations, any actual or suspected non-compliance with laws and regulations identified relevant to the Mayor
- ▶ Subject to compliance with regulations, any suspicions that irregularities, including fraud with regard to the financial statements, may occur or have occurred, and the implications thereof
- ▶ Actual or suspected non-compliance with laws and regulations identified relevant to the Mayor
- ▶ The valuation methods used and any changes to these including first year audits
- ▶ The scope of consolidation and exclusion criteria if any and whether in accordance with the reporting framework
- ▶ The identification of any non-EY component teams used in the group audit
- ▶ The completeness of documentation and explanations received
- ▶ Any significant difficulties encountered in the course of the audit
- ▶ Any significant matters discussed with management
- ▶ Any other matters considered significant

Audit planning report - May 2024

Audit results report - February 2025

Appendix C - Required communications with the Mayor (cont'd)

Our Reporting to you

Required communications	What is reported?	When and where
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence.</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▸ The principal threats ▸ Safeguards adopted and their effectiveness ▸ An overall assessment of threats and safeguards ▸ Information about the general policies and process within the firm to maintain objectivity and independence <p>Communications whenever significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p> <p>For public interest entities and listed companies, communication of minimum requirements as detailed in the FRC Revised Ethical Standard 2019:</p> <ul style="list-style-type: none"> ▸ Relationships between EY, the company and senior management, its affiliates and its connected parties ▸ Services provided by EY that may reasonably bear on the auditors' objectivity and independence ▸ Related safeguards ▸ Fees charged by EY analysed into appropriate categories such as statutory audit fees, tax advisory fees, other non-audit service fees ▸ A statement of compliance with the Ethical Standard, including any non-EY firms or external experts used in the audit ▸ Details of any inconsistencies between the Ethical Standard and Group's policy for the provision of non-audit services, and any apparent breach of that policy ▸ Where EY has determined it is appropriate to apply more restrictive rules than permitted under the Ethical Standard ▸ The Mayor should also be provided an opportunity to discuss matters affecting auditor independence 	<p>Audit planning report - May 2024</p> <p>Audit results report - February 2025</p>

Appendix C - Required communications with the Mayor (cont'd)

Our Reporting to you

Required communications	What is reported?	When and where
External confirmations	<ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures 	Audit results report - February 2025
Consideration of laws and regulations	<ul style="list-style-type: none"> ▶ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur ▶ Enquiry of the Mayor into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Mayor may be aware of 	Audit results report - February 2025
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit 	Audit results report - February 2025
Group Audits	<ul style="list-style-type: none"> ▶ An overview of the type of work to be performed on the financial information of the components ▶ An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components ▶ Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work ▶ Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted ▶ Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements 	Audit planning report - May 2024 Audit results report - February 2025

Appendix C - Required communications with the Mayor (cont'd)

Our Reporting to you

Required communications	What is reported?	When and where
System of quality management	<ul style="list-style-type: none"> ▶ How the system of quality management (SQM) supports the consistent performance of a quality audit 	Audit results report - February 2025
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty related to going concern ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The appropriateness of related disclosures in the financial statements 	Audit results report - February 2025
Misstatements	<ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Material misstatements corrected by management 	Audit results report - February 2025
Related parties	<p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the entity 	Audit results report - February 2025

Appendix C - Required communications with the Audit Committee (cont'd)

Our Reporting to you

Required communications	What is reported?	When and where
Fraud	<ul style="list-style-type: none"> ▶ Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving: <ol style="list-style-type: none"> a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. ▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ▶ Matters, if any, to communicate regarding management's process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud ▶ Any other matters related to fraud, relevant to Audit Committee responsibility. 	Audit results report - February 2025
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit results report - February 2025
Auditors report	<ul style="list-style-type: none"> ▶ Key audit matters that we will include in our auditor's report ▶ Any circumstances identified that affect the form and content of our auditor's report 	Audit results report - February 2025
Value for money arrangements	Commentary in the Auditors Annual Report	Auditors Annual Report - May 2025
Representations	<ul style="list-style-type: none"> ▶ Written representations we are requesting from management and/or those charged with governance 	Audit Result Report - February 2025

Appendix D – Outstanding matters

Outstanding matters

The following items relating to the completion of our audit procedures are outstanding at the date of the release of this report:

Item	Actions to resolve	Responsibility
Subsidiary reporting	Reporting from audit team of LLDC to be received and cross checked against GLA Group consolidation	EY
Final Accounts checks	Agreement of final set of financial statements	EY
Management representation letter	Receipt of signed management representation letter	Management
Subsequent events review	Completion of subsequent events procedures to the date of signing the audit report	EY and management
Internal review processes	Finalisation of all internal reviews across all areas of work.	EY

Until all our audit procedures are complete, we cannot confirm the final form of our audit opinion as new issues may emerge or we may not agree on final detailed disclosures in the Annual Report.

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