



MEETING : AUDIT AND GOVERNANCE COMMITTEE
VENUE : COUNCIL CHAMBER, WALLFIELDS, HERTFORD
DATE : TUESDAY 30 JUNE 2026
TIME : 7.00 PM

PLEASE NOTE TIME AND VENUE

This meeting will be live streamed on the Council's Youtube page:
<https://www.youtube.com/user/EastHertsDistrict>

MEMBERS OF THE COMMITTEE

Councillor Martin Adams (Chair)

Councillors B Deering, C Hart, T Deffley, S Nicholls, D Willcocks, G Williams, Mr M Poppy and Mr N Sharman

Substitutes

Conservative Group: Councillors R Buckmaster, T Stowe and J Wyllie

Green Group: Councillors M Connolly and N Cox

Labour Group: Councillor D Jacobs

Liberal Democrat Group: Councillors S Marlow and M Swainston

(Note: Substitution arrangements must be notified by the absent Member to Democratic Services 7 hours before the meeting, i.e. by midday on the day of the meeting)

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Disclosable Pecuniary Interests

A Member, present at a meeting of the Authority, or any committee, sub-committee, joint committee or joint sub-committee of the Authority, with a Disclosable Pecuniary Interest (DPI) in any matter to be considered or being considered at a meeting:

- must not participate in any discussion of the matter at the meeting;
- must not participate in any vote taken on the matter at the meeting;
- must disclose the interest to the meeting, whether registered or not, subject to the provisions of section 32 of the Localism Act 2011;
- if the interest is not registered and is not the subject of a pending notification, must notify the Monitoring Officer of the interest within 28 days;
- must leave the room while any discussion or voting takes place.

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AGENDA

1. Appointment of the Vice-Chair for 2026/27
2. Apologies

To receive any apologies for absence
3. Minutes - 24 February 2026 (Pages 6 - 19)

To approve as a correct record the minutes of the meeting held on 24 February 2026.
4. Minutes - Joint Meeting of Scrutiny Committees, 28 January 2026 (Pages 20 - 27)

To approve as a correct record the minutes of the Joint Meeting of Scrutiny Committees held on 28 January 2026.
5. Chair's Announcements
6. Declarations of Interest

To receive any declarations of interest.
7. Annual Leisure Contract Performance Report (Pages 28 - 41)
8. External Auditors Audit Plan 2025/26 (Pages 42 - 83)
9. Annual Assurance Statement and Internal Audit Annual Report 2025/26 (Pages 84 - 115)
10. BEAM Trading Update (Pages 116 - 129)
11. Provisional Outturn 2025/26 and Draft Statement of Accounts 2025/26 (Pages 130 - 143)
12. Annual Governance Statement 2025/26 (Pages 144 - 175)

13. Strategic Risk Register Quarter 4 2025/26 (Pages 176 - 182)
14. Audit and Governance Committee - Effectiveness Review 2026 (Pages 183 - 200)
15. Audit and Governance Committee Work Programme (Pages 201 - 209)
16. Urgent Items

To consider such other business as, in the opinion of the Chairman of the meeting, is of sufficient urgency to warrant consideration and is not likely to involve the disclosure of exempt information.

17. Exclusion of the Press and Public (if required)

No Part II business has been notified for this meeting.

If Part II business is notified and the procedures set out in the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 have been complied with, the Chairman will move: - That under Section 100(A)(4) of the Local Government Act 1972, the press and public be excluded from the meeting during the discussion of item XX on the grounds that it involves the likely disclosure of exempt information as defined in paragraph XX of Part 1 of Schedule 12A of the said Act and the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

Agenda Item 3

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MINUTES OF A MEETING OF THE
AUDIT AND GOVERNANCE COMMITTEE
HELD IN THE COUNCIL CHAMBER,
WALLFIELDS, HERTFORD ON TUESDAY
24 FEBRUARY 2026, AT 7.00 PM

PRESENT: Councillor M Adams (Chair)
Councillors B Deering, C Hart and S Nicholls

ALSO PRESENT:

Councillor C Brittain
Mr M Poppy and Mr N Sharman

OFFICERS IN ATTENDANCE:

Michele Aves	- Committee Support Officer
Brian Moldon	- Director for Finance, Risk and Performance
Alison Street	- Financial Planning Manager

ALSO IN ATTENDANCE:

Martha Charima	- Azets
Paul Grady	- Azets
Nick Jennings	- Shared Anti-Fraud Service (SAFS)
Simon Martin	- Shared Internal Audit Service

335 APOLOGIES

There were apologies for absence from Councillors Dunlop, Willcocks and Williamson. It was noted that Councillor Connolly was substituting for Councillor Dunlop.

336 MINUTES - 26 NOVEMBER 2025

It was moved by Councillor Nicholls and seconded by

Councillor Deering that the Minutes of the meeting of the Committee held on 26 November 2025 be confirmed as a correct record and signed by the Chair.

After being put to the meeting and a vote taken, the motion was declared CARRIED. It was noted that Councillor Connolly abstained from the vote.

RESOLVED – that the Minutes of the Committee meeting held on 26 November 2025 be confirmed as a correct record and signed by the Chair.

337 CHAIR'S ANNOUNCEMENTS

The Chair welcomed all to the meeting and reminded participants to use their microphones when speaking. He apologised for being unable to attend the recent Treasury Management training, which he advised the Director for Finance, Performance and Risk would touch upon later in the meeting.

The webcast of the meeting can be viewed at [Audit & Governance Committee Meeting - 24 February - YouTube](#)

338 DECLARATIONS OF INTEREST

There were no declaration of interest.

339 EXTERNAL AUDITORS COMPLETION REPORT - 2024/25

The Azets representative introduced the report, which presented the culmination of all audit work for the 2024/25 financial year and outlined the matters that had to be reported before approval of the Statement of Accounts. Members were informed that the statutory backstop date of 27 February 2026 would be met for the first time in several years, bringing the Council's accounts fully up to date. However, due to the national backlog, the audit opinion for 2024/25 would be disclaimed, meaning a clean opinion was not yet possible.

Members' attention was drawn to key points, including the Council's position to begin a three-year programme to return to clean audit opinions, a summary of Value for

Money arrangements, limited targeted work on financial statements, and the start of the “build back” process reviewing reserves across the disclaimed period.

The plan going forward was to undertake a full in-year audit for 2025/26, continue the build-back work beginning with property, plant and equipment movements, and combine this with reserves analysis to rebuild assurance in the General Fund and help lift the disclaimer in future years.

The Chair and Members thanked the Azets representatives for their work, which had enabled the Council to meet the statutory deadline. Members asked questions about disparities in the 2023/24 comparator figures and the value of disclaimed accounts. They were told the discrepancies reflected the catch-up process and that disclaimed accounts provided no assurance due to historical missing information, though value remained in meeting statutory deadlines.

Members also heard that three years of build-back work would be required to achieve clean accounts again, potentially coinciding with Local Government Reorganisation, at which point East Herts Council would no longer exist in its current form. It was noted that disclaimed accounts were common across the county, but each Chief Financial Officer would be responsible for producing clean accounts at the point of LGR.

Finally, Members were updated on the Finance Department restructure, which had been approved by the Leadership Team and would be implemented over the coming months, increasing capacity and reflecting lessons learned about timely access to information.

It was moved by Councillor Connolly and seconded by Councillor Deering that that the recommendations, as detailed, be approved.

After being put to the meeting and a vote taken, this motion was declared CARRIED.

RESOLVED – that (A) the external auditor’s Completion Report for 2024/25 be received and commented on, and;

B) that the 2024/25 Statement of Accounts be approved.

340 SHARED ANTI-FRAUD SERVICE - ANTI-FRAUD PROGRESS REPORT 2025/26

The SAFS representative introduced the report, which detailed the work undertaken by the Shared Anti-Fraud Service to protect the Council from fraud and to deliver the Council’s Anti-Fraud Plan for 2025/26. He confirmed that a comprehensive report covering all work for the full 2025/26 year would be presented to the Committee in the summer.

Members’ attention was drawn to key elements of the report, including the planned review of the Council’s Anti-Fraud, Bribery and Corruption policies, current Fraud Alerts, Fraud Threat reports, training activity, and an overview of the new offence of “Failing to Prevent Fraud”. Members also received a summary of both reactive and proactive anti-fraud work and were assured that all key performance indicators were on track to be met.

The Chair thanked the SAFS representative for the report.

Members sought clarification regarding the new “Failing to Prevent Fraud” offence and were informed that local authorities were not the primary target of the legislation, which had been introduced following high levels of suspected fraud during the Covid pandemic. However, Members heard that the Council fell within the scope of the legislation due to its size and asset value, and that relevant training would therefore be rolled out.

It was moved by Councillor Nicholls and seconded by Councillor Connolly that that the recommendations, as detailed, be approved.

After being put to the meeting and a vote taken, this motion was declared CARRIED.

RESOLVED – that the progress by officers and the Shared Anti-Fraud Service to deliver the Anti-Fraud Plan for the Council be noted.

341 SHARED ANTI-FRAUD SERVICE - ANTI-FRAUD PLAN 2026/27

The SAFS representative introduced the report and began by apologising for two errors within it, noting that the name “Hertsmere Borough Council” had been used instead of “East Herts Council” on pages 213 and 214.

Members were assured that all information in the report including the fee referenced on page 214 was accurate and applicable to East Herts Council. They were also advised that a corrected version of the report would be uploaded to the Council’s website as a supplementary agenda item.

The representative explained that the 2026/27 Anti-Fraud Plan was largely unchanged from the current year’s plan and highlighted its key features.

The Chair thanked the SAFS representative for the report.

There were no questions or comments from Members.

It was moved by Councillor Deering and seconded by Councillor Nicholls that that the recommendations, as detailed, be approved.

After being put to the meeting and a vote taken, this motion was declared CARRIED.

RESOLVED – that the Anti-Fraud Plan 2026/27 be reviewed and approved.

342 SHARED INTERNAL AUDIT SERVICE - INTERNAL AUDIT PLAN REPORT 2026/27

The Shared Internal Audit (SIAS) Manager introduced the

report which outlined the draft work programme for 2026/27. Members were informed that the plan included information on each audit, performance management details, and contained an extensive reserve list to provide flexibility if scheduled work was cancelled or deferred.

The SIAS Manager also drew Members' attention to Appendix D of the report, which contained the internal audit strategy and service plan for the coming year. Members heard that this document explained the purpose, methods, and rationale of the service, giving them opportunity to comment on internal audit matters if they wished.

The Chair thanked the SIAS Manager for the report.

Members referred to Appendix B of the report and asked that dates be added so readers could see when each audit item had last been reviewed. They were told that the intention had been to show the cyclical nature of audits, but that such dates could be included in future versions.

Members also asked whether the two additional audit days mentioned in the report were usually used, and whether any items from the reserve list would be brought forward.

Members were informed that the extra days were generally used and that a significant portion of the reserve list would become a priority for 2027/28, including work related to LGR, guided by direction from the SIAS Board of chief financial officers from each partner organisation.

It was moved by Councillor Connolly and seconded by Councillor Nicholls that that the recommendations, as detailed, be approved.

After being put to the meeting and a vote taken, this motion was declared CARRIED.

RESOLVED – that (A) East Herts Council Internal Audit Plan for 2026/27 be approved; and

(B) that the SIAS Internal Audit Strategy and Service Plan be noted and any comments provided.

343 STRATEGIC RISK REGISTER QUARTER 3 MONITORING

The Director for Finance, Risk and Performance presented the report, outlining the Council's key strategic risks, how they had evolved, and the actions in place to manage them. Members' attention was drawn to the internal audit findings on risk management, with recommendations set out in paragraph 2.3. They were informed that work was already underway to implement these recommendations, including clarifying target risk scores, strengthening risk indicators within the Strategic Risk Register, carrying out directorate-level deep dives to ensure alignment between corporate and operational risks, and arranging training for both officers and Members.

The Director for Finance, Risk and Performance confirmed that the overall strategic risk profile for Quarter 3 remained broadly similar to that of Quarter 2, with the only notable change being an update to the climate change risk.

The Chair thanked the Director for Finance, Risk and Performance for the report. Members commented that the inclusion of the target risk was very helpful.

Members queried whether the Local Government Reorganisation (LGR) risk should be broadened to reflect the potential impact on frontline service delivery arising from the demands placed on management time. Members also questioned whether the current risk score attributed to Financial Resources remained appropriate or required reclassification.

In response, Members were advised that these were valid considerations and that the uncertainties surrounding LGR would continue to influence the development of the risk register. The Director for Finance, Risk and

Performance confirmed that he would review the adequacy of the Financial Resources risk for Quarter 4.

Members observed that the climate change mitigations within the register appeared vague and questioned the extent to which the Council was able to control this risk.

Members were advised that the mitigations related specifically to Amwell Depot, for which a planning application had been submitted. They also heard that Leadership Team was mindful of delays associated with this achieving process.

It was moved by Councillor Deering and seconded by Councillor Nicholls that that the recommendations, as detailed, be approved.

After being put to the meeting and a vote taken, this motion was declared CARRIED.

RESOLVED – that (A) The 2025/26 quarter three corporate risk register and actions being taken to control and mitigate risk be considered and noted, and;

B) That the actions being taken following the recent internal audit report on the Council's risk management arrangements be noted.

344 FINANCIAL MANAGEMENT 2025/26 - QUARTER 3 FORECAST TO YEAR END

The Finance Business Partner introduced the report setting out the forecast outturn position for 2025/26 as at Quarter 3 and highlighted several key points.

Members were told that there was a forecast overspend of £504k against the net revenue budget, representing a slight £4k improvement from the Quarter 2 position. Appendix A provided the detailed breakdown and movements. A forecast overspend of £906k was also reported against the net cost of services budgets, with

significant directorate variances shown in Appendix B.

Members heard that several areas had shown increased forecast overspends since Quarter 2, most notably ongoing shortfalls in income at BEAM and pressures within Planning due to salary and agency costs. However, improvements had been recorded in most other areas, including treasury management performance, leisure services following the new agency agreement, and a contingency release to mitigate BEAM pressures.

The Finance Business Partner reported a forecast overachievement of £357k in interest and investment income within corporate budgets, which officers proposed transferring to the interest equalisation reserve.

Members were informed that the 2025/26 capital programme had been revised to include £400k of capital expenditure funded through the UK Shared Prosperity Fund, as reflected in Appendix C. A £2.5m forecast underspend against the capital programme was reported, £1.114m of which was proposed to be carried forward into 2026/27 for due works.

Finally, Members heard that overall debtors had increased by just over £380k since Quarter 2. Payments of £819k relating to the 30-day category, owed by neighbouring authorities, had now been received. The most significant outstanding debt sat in the over-180-day category, with discussions underway with services to address this and large debts already referred to the legal team.

The Chair thanked the Finance Business Partner for the report.

Members sought clarity on the position of Rapier House. They were advised that the site was currently being used as a base by the contractor, Glendales, until Amwell Depot became operational. It was explained that this arrangement was incurring a cost to the Council, which had been built into the 2026/27 budget, but was not

expected to continue once the relocation had taken place.

Members heard that options for the future use of Rapier House were being explored, with a report scheduled to be brought before Members in the new financial year.

Members asked questions relating to the Transformation Team, Pinehurst Community Centre and staffing costs within the Planning Department.

Members were advised that Pinehurst Community Centre was no longer a Council asset, and therefore expenditure had not been considered, Members could explore its refurbishment should they so wish.

Members heard that, due to Local Government Reorganisation (LGR), the Transformation Team had become smaller, with its focus shifting towards digitalisation. This would be led by a newly appointed digital officer.

It was explained that the staffing pressures within the Planning Department -particularly the reliance on agency staff -currently outweighed the income generated by the service. Recruitment and retention of Planning Officers continued to be a nationwide challenge for local authorities, though Members were assured that mitigation measures were being applied wherever possible.

A further question was raised regarding the impact on budgets should the Planning Department were not understaffed – with a response on this point to be sought from the Director of Place.

It was moved by Councillor Nicholls and seconded by Councillor Connolly that that the recommendations, as detailed, be approved.

After being put to the meeting and a vote taken, this motion was declared CARRIED.

RESOLVED – that (A) East Herts Council Internal

Audit Plan for 2026/27 be approved; and

(B) that the SIAS Internal Audit Strategy and Service Plan be noted and any comments provided

345 2025/26 ACCOUNTING POLICIES

The Finance Business Partner introduced the report, explaining that the Council was required to set its accounting policies in advance of closing the accounts. She drew Members' attention to Appendix A, which outlined these policies and described the accounting treatment applied to transactions during the financial year and in preparing the Statement of Accounts.

Members heard that the Council must publish its draft Statement of Accounts for 2025/26 by 30 June 2026. The Finance Team had reviewed the accounting policies to ensure they remained relevant, clear, and compliant with the Code of Practice on Local Authority Accounting. Members were advised that the 2025/26 Code introduced no changes requiring amendments to the Council's accounting policies, which therefore remained substantively the same as those used in preparing the 2024/25 Statement of Accounts.

The Chair thanked the Finance Business Partner for the report.

There were no questions or comments from Members.

It was moved by Councillor Deering and seconded by Councillor Nicholls that that the recommendations, as detailed, be approved.

After being put to the meeting and a vote taken, this motion was declared CARRIED.

RESOLVED – that the accounting policies set out in Appendix A, be approved for use in the 2025/26 Statement of Accounts.

346 AUDIT AND GOVERNANCE COMMITTEE WORK PROGRAMME

The Director for Finance, Risk and Performance introduced the report, which set out the Committee's work programme designed to ensure that statutory responsibilities were met, that assurance reports were received at appropriate intervals, and that the Committee maintained a balanced focus on audit, governance, and risk management throughout the year.

Members were informed that no substantive business had been identified for the May 2026 meeting, based on the forward plan and the timing of key activities. As a result, the Committee was advised that the May meeting was proposed for cancellation, as it would not provide meaningful business for Members.

The Director also referred to the in-person Risk Management training scheduled for 18 June. He emphasised the importance of Member attendance at training sessions and reminded Members that no Audit & Governance Committee representatives had attended the recent Treasury Management training, despite it being a key area within the Committee's remit. He confirmed that, once appointments for the forthcoming municipal year were settled at Annual Council, Member availability for the June Risk Management session would be checked and an alternative session arranged if required.

The Chair thanked the Director for Finance, Risk and Performance for the report.

Members raised questions in relation to recent training sessions being held outside of the meetings and asked if officers were able to suggest any further training topics which were relevant for Committee. Clarity was also sought as to if any reports relating to LGR would come before the Committee.

Members heard that the training for both Treasury

Management and Risk Management were 2-hour sessions, and it was therefore unfeasible to conduct these within the Committee’s meetings.

Members were told that in respect of LGR, this process was in its preliminaries - with a statement due in July, hopefully giving direction to East Herts Council. Discussion was also had as to if LGR fell under the remit of the Audit and Governance Committee or the Overview and Scrutiny Committee – for which the Director for Finance, Performance and Risk would make enquires.

It was moved by Councillor Nicholls and seconded by Councillor Connoly that the recommendations, as detailed, be approved.

After being put to the meeting and a vote taken, this motion was declared CARRIED.

RESOLVED – that (A) the Audit and Governance Committee Work Programme for the 2025/26 municipal year and for 2026/27 as outlined in the report be noted and considered, and;

B) that any training requirements to support Members in fulfilling their roles effectively be identified.

347 URGENT ITEMS
There were no urgent items.

348 SHARED ANTI-FRAUD SERVICE - EAST HERTS COUNCIL
ANTI-FRAUD PLAN 2026/27

The meeting closed at 8.17 pm

Chairman
Date

Agenda Item 4

JS

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MINUTES OF A MEETING OF THE
JOINT MEETING OF SCRUTINY
COMMITTEES HELD IN THE COUNCIL
CHAMBER, WALLFIELDS, HERTFORD ON
WEDNESDAY 28 JANUARY 2026, AT 7.00
PM

PRESENT: Councillor Martin Adams (Chair)
Councillors D Andrews, P Boylan, B Deering,
J Dunlop, R Carter, N Clements, C Hart, C
Horner, D Jacobs, S Nicholls, T Smith, M
Swainston, G Williams, G Williamson, J
Wyllie and Mr N Sharman

ALSO PRESENT:

Councillors C Brittain, B Crystall and
D Hollebon

OFFICERS IN ATTENDANCE:

Michele Aves	- Committee Support Officer
Peter Mannings	- Committee Support Officer
Brian Moldon	- Director for Finance, Risk and Performance
Stephanie Tarrant	- Assistant Director for Democracy, Elections and Information Governance

302 APPOINTMENT OF CHAIR

It was moved by Councillor Jacobs and seconded by
Councillor Horner that Councillor Adams be appointed
Chair of the Joint Meeting of Scrutiny Committees. After

being put to the meeting and a vote taken, the motion was declared CARRIED.

RESOLVED – that Councillor Adams be appointed Chair of the Joint Meeting of Scrutiny Committees.

303 APOLOGIES

There were apologies for absence from Councillors E Buckmaster, Cox and Willcocks. There was also an apology from an Independent Person – Mark Poppy.

304 CHAIR'S ANNOUNCEMENTS

The Chair welcomed all to the meeting and reminded all participants to use their microphones when speaking.

The webcast of the meeting can be viewed here [Joint Meeting of Scrutiny Committees - 28 January 2026](#).

The Chair reminded Members that their comments would be captured within the minutes of the meeting and by officers, who would feed these back to the Executive. He added that the minutes and any comments would be included as appendices to the Executive report.

305 DECLARATIONS OF INTEREST

There were no declarations of interest.

306 DRAFT BUDGET 2026/27 AND MEDIUM-TERM FINANCIAL PLAN 2026-2031

The Executive Member for Financial Sustainability introduced the report which set out an updated Medium Term Financial Plan for 2026/27 to 2030/31, which reflected the provisional Government settlement and several emerging financial pressures.

The Executive Member for Financial Sustainability said

that although the Fair Funding review outcome was more favourable than expected, Government support will still decline, leaving Council Tax growth as the main driver of a modest rise in core spending power - one that remains below inflation. He said that additional pressures included £706k in new budget demands, anticipated Local Government Reorganisation costs, and slower-than-expected BEAM income - all requiring prudent contingencies.

The Executive Member for Financial Sustainability said that savings from the Hertfordshire Pension Fund valuation - nearly £1 million annually, would enable a balanced budget and the creation of new reserves to strengthen resilience. He said that the plan emphasised continued efficiency, increased income from fees and charges, and careful reserve management to maintain financial sustainability amid ongoing uncertainty.

The Chair thanked the Executive Member for Financial Sustainability for his report.

Members raised questions and concerns in relation to the decision to not raise Sunday car parking charges (citing this as a potential lost avenue for raising revenue for the Council), versus the adverse reactions from residents which the agreed increases had received. It was clarified that the Sunday charge would be increased in all but the rural carparks within the district, and that the increases did provide a significant figure towards the Council being able to produce a balanced budget. Members heard that should the increases not occur in the current year the Council would fall behind, leading to higher than inflation increases being made in future years. It was also acknowledged that the regime needed to be equal and fair, and although the district's High Streets (with Buntingford being cited by ward Members) were under pressure, this was due to several factors such as the cost of Business Rates and the rise of online shopping.

Members debated the Council's reserves, as shown at

Appendix C of the report and it was confirmed that the presentation of the reserves earmarked for LGR over the next 2 years (as on page 53) would be amended from £500,000 for 2026/27 to show £250,000 for both 2026/27 and 2027/28. Discussion was had as to if the reserves earmarked for the costs of LGR were adequate, and Members heard that uncertainties/unknowns surrounding the reorganisation made an answer currently impossible.

Members agreed that LGR was both unwanted and a huge expense, which gave little benefit. They heard that the biggest LGR expenses would relate to officer resource, staff changes (including possible redundancies) and the harmonising of IT, all of which were advance costs, required to be in place from day 1. It was further explained that each of the proposed modules for LGR were expected to take somewhere between 3 – 6 years to yield savings or 'break even'

Discussion around LGR continued, noting that there were currently 132 unitary local authorities in England – covering 71% of the population, with all authorities in Scotland, Wales and Northern Ireland unitary. It was heard that research on LGR had provided a mixed picture, with success reliant on implementation. It was also noted that previous unification was undertaken in less challenging times, with better Government funding, and when Councils had spare finances.

Clarification was sought as to the difference between the Government and the Council's figures relating to Council Tax revenue. Members heard that this was due to the Government's method of estimation, with the Council using their own, more specific and up to date data within the budget.

Members discussed the risks associated with having disclaimed accounts and were given assurance that this was managed as much as possible. Acknowledgement was given that the valuation of assets was a potential related area of risk, however this was mitigated by

reserves.

Members highlighted the Executive drawdown reserve and sought expansion on how this £250,000 would be used, ensuring that it be spent fairly across the whole district. Members heard that only initial discussions had been had, with the Executive welcoming Member's suggestions for consideration. Suggestion was made that this should be for collective membership (instead of the Executive) to decide how this reserve be used.

Members gave comments and asked questions relating to asset sales and heard that these were important to the budget. It was confirmed that the Council had approximately £15 million of assets to sell, and confidence was high that these would come to fruition. Members heard that Old River Lane made up more than half of this value, with progress with the developer ongoing. It was explained that as each Millstream tenancy expired the property would go to market - with 1 such property sold, 1 in the process of being sold and another actively on the market. This staggered approach also allowed the property team to manage the process with the resources available to them.

Members heard that multi-year settlements from the Fair Funding Review (FFR) were useful in the respect that they gave more clarity, allowing a balanced budget to be set, albeit they were monetarily less each year.

Members debated service efficiencies, with focus given to partnership working and minor restructure. Members heard that £14,000 of such savings were inbuilt into the budget, but Leadership Team were constantly looking for opportunities for efficiencies, with the recent recruitment of a shared Lead Human Resources Officer with Broxbourne Council and options surrounding the replacement of the outgoing Director of Legal, Policy and Governance cited as examples. It was explained that the Transformation Team was being disbanded - with monies being used instead on technology implementation.

Members discussed BEAM, and although recognised it as being a huge community asset expressed concerns regarding its ongoing losses and optimistic business plan in a climate where the arts were struggling. Members heard that although BEAM would show a loss this year, it was forecast to become self-sufficient, with improvements happening all the time under its new Director. They were told that year on year comparisons were now available for the venue and that a new business plan would also shortly come before Members. Members also heard that Hertford Theatre (as BEAM was before redevelopment) was subsidised by £300,000 per year, but it was felt that BEAM was a superior offering.

It was moved by Councillor Nicholls and seconded by Councillor Swainston, that the recommendations, as detailed, be approved. It was noted that Councillors T Smith and Andrews abstained from the vote. After being put to the meeting and a vote taken, the motion was declared CARRIED.

RESOLVED – that Members examine and comment on the Draft Budget 2026/27 and Medium-Term Financial Plan 2026-2031 contained within the reports.

307 CAPITAL STRATEGY, MINIMUM REVENUE PROVISION STATEMENT AND TREASURY MANAGEMENT STRATEGY 2026/27

The Director for Finance, Performance and Risk introduced the report which presented the Council's Capital Strategy, MRP Statement, and Treasury Management Strategy for 2026/27. The report set out the framework for how capital investment is planned, financed, and governed.

The Director for Finance, Performance and Risk said that with resources being extremely limited, the capital programme focused solely on essential health and safety

and business critical works, with future investment dependent on asset disposals. He said that the Treasury Strategy maintained a low-risk approach to managing cash, borrowing, and investments in line with CIPFA requirements, while the MRP Statement continued the prudent policy of repaying borrowing over the life of assets to ensure long-term affordability and sustainability.

The Chair thanked the Director for Finance, Performance and Risk for his report.

Members sought assurance that the Environmental, Social and Governance (ESG) Policy remained up to date. They heard that this was the case, and that the Policy was Treasury Advisor aligned.

It was moved by Councillor Dunlop and seconded by Councillor Nicholls, that the recommendations, as detailed, be approved. It was noted that Councillor Jacobs abstained from the vote. After being put to the meeting and a vote taken, the motion was declared CARRIED.

RESOLVED – that Members examine and comment on the Capital Strategy, Minimum Revenue Provision Statement and the Treasury Management Strategy 2026/27 including the Prudential Indicators contained within the reports.

308 EXCLUSION OF THE PRESS AND PUBLIC (IF REQUIRED)

There was no Part II business.

309 URGENT BUSINESS

There were no urgent items.

The meeting closed at 8.21 pm

Chairman

Date

Agenda Item 7

East Herts Council Report

Audit and Governance Meeting

Date of meeting: Tuesday 30 June 2026

Report by: Councillor Sarah Hopewell – Executive Member for Wellbeing

Report title: Annual Leisure Contract Performance Report

Ward(s) affected: (All Wards);

Summary – To present the annual review of East Herts Council’s fifteen-year leisure contract with Sport and Leisure Management Ltd (SLM) trading as Everyone Active (EA).

RECOMMENDATIONS FOR Audit and Governance Committee:

- a) To review and receive the Annual Leisure Contract Performance Report (2025) as set by the service leisure provider below.

1.0 Background

1.1 The fifteen-year contract with our leisure provider, Sport and Leisure Management Ltd. (SLM), commenced on 1 January 2020 and is now in its seventh year. This report reviews the performance of Everyone Active (EA) during 2025 in delivering services in accordance with the terms of the agreement.

1.2 East Herts Council remains committed to delivering high quality leisure services that support health, wellbeing, and community participation across the district.

1.3 The Council's Corporate Plan commits to:

- To listen, engage, and act transparently in our decision making and operations, placing greater emphasis on consultation, engagement, and meaningful dialogue with our communities.
- Maintain and improve council services while making them more cost efficient through the “Transforming East Herts” programme.
- To deliver the Thriving Together Plan, promoting physical activity, healthy lifestyles, and initiatives that enhance the wellbeing of residents and communities.

1.4 This report highlights key achievements and developments across the district’s leisure centres during 2025.

1.5 Attendance figures for 2025 were affected by the loss of two dual use sites in December 2024, reducing the contract from four pool facilities to two. The two sites accounted for 180,781 total visits and 33,607 swimming visits in 2024.

1.6 On a like for like basis, excluding the impact of the lost sites, attendance increased by 45,114 visits, equivalent to growth of 3.1%.

1.7 Refurbishment works at Grange Paddocks gym and changing village improvements at Hartham resulted in approximately 13,500 fewer visits; however, both centres achieved positive attendance and performance results on a like for like basis.

1.8 Everyone Active invested a total of £962,686 across East Herts leisure centres in 2025, including £683,892 at Grange Paddocks and £278,794 at Hartham for gym and activity area refurbishments.

1.9 The Grange Paddocks refurbishment included a complete replacement of gym equipment less than four years after the centre opened, alongside the introduction of Hertfordshire's only virtual aqua offering and one of only two Hydro Hex installations in the county.

1.10 Although the gym refurbishment required a 15-day closure, additional studio and outdoor sessions were provided to minimise disruption to customers.

1.11 A new Reformer Pilates studio was created at Hartham between February and March 2025 by converting underused dry side space. The new studio has enabled an additional 30–35 classes per week, supporting strong demand and contributing to continued growth in group exercise participation.

1.12 Community engagement, physical activity and wellbeing remained a key focus throughout 2025, building on initiatives introduced in previous years. The Exercise Referral Scheme, relaunched in 2024, continued to grow, receiving more than 152 referrals during the year.

1.13 This was supported by a range of promotional activities and five referral partnerships, including collaboration with the Active GP Partnership to deliver seated activity sessions within local GP surgeries.

1.14 These outreach sessions have successfully engaged residents who do not currently use leisure facilities, with a number of participants progressing onto the Exercise Referral Scheme and swimming programmes. Thus, demonstrating the positive impact of community-based activity interventions in supporting healthier and more active lifestyles.

1.15 EA continues to support the community by promoting inclusivity and accessible participation opportunities. A structured programme of holiday activities has been developed, including SEND soft play sessions and arts and crafts sessions.

1.16 During the summer, these have been brought together under the 'Everyone is Family' programme, offering a range of selected activities at £2 per person, helping to create accessible opportunities for new users and families to engage with the centres.

1.17 From a membership perspective, the fitness membership base decreased by 312 users in 2025, from 10,421 at the end of 2024 to 10,109 in 2025. The 2024 figure was inflated by the transfer of approximately 800 users from dual use sites (Fanshawe and Leventhorpe) into Grange Paddocks, with not all these members continuing at the centres in 2025.

1.18 The reduction has also been influenced by operational factors, including issues with shower and changing facilities at Hartham, and disruption associated with the gym refurbishment at Grange Paddocks.

1.19 The annual report covers two main components:

- Performance against contract specifications
- Qualitative achievements and service improvements.

2.0 Annual report

2.1 The following sections present the contractual performance, covering key areas such as customer throughput, satisfaction, health and safety, social value contributions and utilities summary.

2.2 Customer throughput

2.2.1 East Herts Council continues to provide high quality leisure facilities that promote inclusive access to sport and physical activity opportunities, regardless of age, ethnicity, gender, or ability level. Promoting active lifestyles remains central to the Council's commitment to improving community health and wellbeing.

2.2.2 Customer throughput refers to the total number of visits and users engaging with the centres, and the following data sets out the key performance figures used for monitoring and reporting purposes.

2.3 Attendance

2.3.1 A key indicator of EA's performance is overall facility usage. In 2025, total attendance reached 1,512,757 visits, representing a reduction of 135,667 visits (8.2%) compared with 2024. Activities included in the data are:

- Gym
- Casual swim
- Group exercise classes
- Swimming lessons (including one to one and school)
- Tennis (Hartham leisure centre)
- Soft play (Hartham leisure centre)
- Football (3g pitch)

2.3.2 Swimming attendance

- The swimming participation data reflects the impact of including dual use sites in the 2024 totals, which were not present in 2025. As a result, there is a year-on-year reduction of 35,794 visits, equivalent to a 15.2% decrease.
- When comparing only Hartham and Grange Paddocks on a like for like basis, the reduction is significantly smaller at 2,187 visits, or 1.1%. Within this, the data shows that most of the decline occurred between January and May, where attendance at the two sites ranged from a 2.1% to 7.4% decrease. From June onwards, performance improved, with summer months showing growth following changes to pool programming and timetable reconfiguration.
- A variation in programming, including swim club provision, learn to swim capacity, and increased aqua activity, mean the 2024 and 2025 datasets are not fully like for like. In addition, demographic shifts have influenced junior and adult swimming participation, driven in part by increased allocation to learn to swim programmes and changes to booking systems for under 5s, which now require dedicated accounts.

2.3.3 Under 16 swim attendance

- Under 16 participation shows a reduction of 7,865 visits; however, on a like for like basis across Hartham and Grange Paddocks, the decrease is significantly smaller at 2,187 visits, equivalent to a 1.1% reduction.
- As outlined in the total swimming section, improvements to the booking system in the latter part of 2025 have enhanced data accuracy, addressing previous issues where a proportion of swimmers were not correctly captured within demographic profiling. Under the previous EA app, adult users were able to assign juniors and other adults without appropriate classification, which has now been corrected during the summer period, resulting in a more accurate dataset going forward.

2.3.4 Learn to swim attendance

- At the end of 2025, there were 3,952 participants enrolled in the learn to swim programme, 158 fewer than in 2024. Hartham reached a peak of 1,607 swimmers in 2024, ending 2025 with 1,498 participants. Performance remained strong, with Grange Paddocks recording growth of 132 participants compared with 2024.

2.3.5 Gym attendance

- From a gym attendance perspective, EA have continued to see the impact of a growing membership base, with increased gym usage across the remaining centres.
- At the end of 2025, total gym visits were 518,769, compared with 536,950 in 2024. This represents a reduction of 18,181 visits, equivalent to a 3.4% decrease year on year. This headline reduction reflects the inclusion of Fanshawe and Leventhorpe in the 2024 figures, which accounted for 36,082 and 642 visits respectively.
- On a like-for-like basis, however, performance at Hartham and Grange Paddocks shows growth, with gym usage increasing by 3.7%, equating to 18,550 additional visits year on year. It is also noted that the Grange Paddocks gym refurbishment in September resulted in approximately 8,000 fewer visits during the affected period, which partially offset an otherwise strong performance.

2.3.6 Senior gym attendance

- Senior gym participation has also continued to strengthen, supported by the expansion of community wellbeing initiatives, including exercise referral schemes and quiet gym sessions.
- In 2025, senior gym usage reached 43,735 visits, an increase of 5,385 visits year on year (14%). When adjusted to exclude Fanshawe's 2024 activity, this increase rises to 8,678 visits, representing growth of 24.8% across Hartham and Grange Paddocks. Highlighting a particularly strong engagement from older users.

2.4 Membership

- The overall fitness membership base has reduced by 312 users, from 10,421 at the end of 2024 (which included an estimated uplift of around 800 users transferred from dual use sites into Grange Paddocks) to 10,109 at the end of 2025. The adjustment reflects that not all the transferred Leventhorpe and Fanshawe members continued their memberships across to Hartham and Grange Paddocks. Alongside operational pressures including issues with changing facilities at Hartham and disruption associated with the Grange Paddocks gym refurbishment in September.

2.5 Group exercise participation

2.5.1 Group exercise participation has been the most significant driver of fitness engagement and overall growth across the contract over the past three years. This has been supported by the expansion of studio capacity and an increased volume of programmed activity, strengthening both the timetable and instructor led offer. In 2025, group exercise recorded 216,155 visits, an increase of 29,547 visits (15.8%) compared with the previous year, demonstrating continued strong demand.

2.6 Health and wellbeing initiatives

2.6.1 In 2025, East Herts made significant progress in supporting residents experiencing health inequalities to become more active, both within the leisure facilities and out in the community.

2.6.2 EA's Exercise Referral Scheme, designed for individuals living with long term health conditions, received 152 referrals from local healthcare professionals, demonstrating the growing recognition of exercise as an important part of health and wellbeing support.

2.6.3 EA also introduced new classes and community health walks for new parents, helping to tackle post-partum social isolation, while supporting mental health and physical wellbeing.

2.6.4 Working closely with local Integrated Care Boards (ICBs) and physiotherapy teams, EA developed follow-on opportunities such as a Pulmonary Rehabilitation continuation class. This ensured that patients completing NHS interventions had accessible ways to continue exercising and maintain the progress they had achieved.

2.6.5 Supporting the community

- East Herts continued to support and celebrate local talent in 2025 by sponsoring several sporting champions, competing at both national and international level. Athletes across a wide range of sports, including judo, triathlon, athletics, karate and swimming, received support through the scheme. In total, 10 residents at each leisure centre were provided with free access to our facilities to help them train and develop in their chosen sport.
- Alongside this, EA selected Grove Cottage as their Community Champion charity for the year. Grove Cottage is a local organisation supporting people with learning disabilities and complex needs, along with their families and carers. As part of the partnership, EA provided free toddler swimming sessions for nursery

children and hosted twice yearly inclusive fun swim events. Therefore, giving carers, parents and service users the opportunity to come together for enjoyable family activity days in a welcoming environment.

2.6.6 Partnership working

EA works in partnership with a wide range of local organisations and community groups to support health, wellbeing, inclusion, and physical activity opportunities across East Hertfordshire.

- Alzheimer's Society UK - EA are working in partnership to promote accessible opportunities for people living with dementia and their carers within East Herts Leisure Centres. Dementia friendly training sessions have been delivered to colleagues, and both centres are working towards achieving dementia accreditation in 2026.
- Local social media partnerships - EA collaborate with 'I Love Hertford' and 'thisisbscm23', to support local engagement and community promotion through social media channels.
- Community voice and police partnerships - EA work alongside Community Voice and local policing teams in Hertford and Hartham, to strengthen local community connections and support initiatives.
- Primary Care Network (PCN) Partnerships - EA work closely with local PCNs, including:
 - Stort Valley and villages PCN
 - New River Health PCN

Through these partnerships, EA deliver community outreach activities and support patients through referrals into our GP Exercise Referral Scheme.

- Herts Sports partnership - EA partnered to deliver holiday activities and food (HAF) programmes at Grange Paddocks and Hartham Leisure Centres. During the summer, a six-week programme provided eligible young people aged 11-15 with free gym access and meals.
- Weight Watchers partnership - As part of EA's corporate partnership, Grange Paddocks provides free community space for Weight Watchers meetings. This supports individuals beginning their health and wellbeing journey who may not yet feel ready to participate in physical activity programmes.
- Hertfordshire Community Trust pulmonary physiotherapy team - Since July 2025, EA have partnered to provide a follow-on exercise group at Grange Paddocks Leisure Centre for pulmonary rehabilitation patients. The programme is now well established and continues to grow.

- Table Tennis England - EA have partnered with Table Tennis England to deliver two junior table tennis sessions each week, alongside a popular 'Bat and Chat' social session for adults.

2.7 Social value

2.7.1 As part of the National Leisure Recovery Fund, the leisure industry partnered with Sport England and 4global to improve the collection and reporting of participation and financial data across the sector. This led to the development of the Moving Communities platform by 4global and DataHub, which helps measure participation trends and community impact.

2.7.2 A key feature of the project is the social value calculator, developed with Sheffield Hallam University, which quantifies the wider health, wellbeing, and social benefits generated through leisure and physical activity services.

2.7.3 Over the rolling 12 months of 2025, East Herts leisure centres generated a total social value of £6.96 million. This represents an overall increase of £180,563, despite reductions in social value at Fanshawe (£376k) and Leventhorpe (£163k). Individually, Grange Paddocks achieved a 10% increase in social value, equating to £342,327, while Hartham saw a 13% increase, generating an additional £377,614 in social value.

2.8 Customer satisfaction

2.8.1 Regular post user surveys are used to gather feedback from leisure centre users. New users receive an email survey after two weeks of attendance and then every six months thereafter, helping to avoid overcommunication. Although there is limited influence over the responses received, the feedback provides valuable insight into customer experiences and has helped inform the development of quality action plans and wider service improvement strategies. Overall customer satisfaction is split between sites below.

YTD	responses	How satisfied are you with your overall visit to the centre ?	Very Good	Good	Average	Poor	Very Poor	Grand Total		Very Good to Good	Poor to Very Poor	Comments
2025	1566	All Sites	16.45%	59.38%	18.69%	4.34%	1.15%	100.00%		75.83%	5.48%	
2025	798	GPP	19.42%	60.90%	15.16%	3.76%	0.75%	100.00%		80.33%	4.51%	
2025	768	HAR	13.41%	57.94%	22.14%	4.95%	1.56%	100.00%		71.35%	6.51%	

2.8.2 EA continuously reviews feedback from post user surveys to inform service improvements. Parking arrangements at Hartham remain under review, following significant customer feedback before and after changes to parking management.

2.8.3 Feedback has also highlighted ongoing issues with showers and changing facilities, resulting in the need for a further refurbishment. To improve consistency and customer experience, the Grange Paddocks Customer Service Manager now oversees both sites.

2.8.4 Gym and group exercise experience

- Gym and group exercise satisfaction levels remained strong overall, although scores fell slightly from 85.2% in 2024 to 83.2% in 2025. Grange Paddocks saw a larger decrease from 88.8% to 82.1%, largely due to disruption and negative feedback linked to the gym refurbishment. However, lower levels of post user feedback during Quarter 4 limited the ability to fully reflect the refurbishment's impact.
- Key themes identified through feedback included waiting lists for group exercise classes, gym overcrowding, parking concerns, and negative perceptions of teenage gym sessions, all of which are being managed more proactively.

	2025	2024	2023	2022	2021	2019	2018	2017
How would you rate the overall gym and group exercise experience in the leisure centre?	Very Good to Good	Very Good to Good	Very Good to Good	Very Good to Good	% very satisfied or fairly satisfied	% very satisfied or fairly satisfied	% very satisfied or fairly satisfied	% very satisfied or fairly satisfied
All Sites	83.2%	85.2%	77.3%	78.3%	83.9%	81.8%	82.8%	87.2%
GPP	82.1%	88.8%	85.8%	89.1%	91.9%	77.3%	71.8%	85.3%
HAR	84.2%	87.4%	76.3%	72.9%	82.3%	84.2%	92.6%	92.4%

2.8.5 Swimming experience

- Year to date 2025 customer satisfaction scores have declined in a similar pattern to gym and group exercise feedback, with site specific operational issues having a significant impact on customer experience.
- At Hartham, satisfaction scores fell from 80.9% in 2024 to 67.7% in 2025, largely due to ongoing issues with the shower boiler systems. The units installed during refurbishment proved unreliable and required frequent repairs before being fully replaced in June as part of a new shower installation. In addition, the changing village closed for one month in October due to delayed contractor availability, which further impacted customer experience.

	2025	2024	2023	2022	2021	2019	2018	2017
0.5.How would you rate the overall swimming experience in the leisure centre?	Very Good to Good	Very Good to Good	Very Good to Good	Very Good to Good	% very satisfied or fairly satisfied	% very satisfied or fairly satisfied	% very satisfied or fairly satisfied	% very satisfied or fairly satisfied
All Sites	76.1%	82.4%	81.7%	84.1%	78.2%	80.2%	81.8%	80.8%
GPP	81.4%	83.4%	84.4%	88.7%	85.0%	73.8%	58.1%	72.1%
HAR	67.7%	80.9%	76.6%	83.7%	81.7%	80.4%	84.1%	82.9%

2.8.6 Key feedback and enquiry patterns

- Recurring themes in monthly customer feedback are reviewed at site level to help improve services and systems. FAQs on the website and single customer view links are regularly updated to better manage enquiries and feedback. Automated responses are used for common enquiries, such as membership freezes or pauses, providing customers with clear guidance while significantly improving response times. Although automated, these responses mirror the information staff would typically provide directly.

2.9 Health and safety

2.9.1 There was one major incident recorded across the contract during 2025. This related to a non RIDDOR (reporting of injuries, diseases and dangerous occurrences regulations) incident at Grange Paddocks, linked to a pre-existing medical condition.

2.9.2 Accident performance is monitored using a benchmarking measure of accidents per 10,000 visits, allowing comparison across sites. EA's group threshold is set at 3 accidents per 10,000 visits.

2.9.3 During 2025, a total of 128 accidents were recorded, including 14 in Quarter 4. This represents a slight increase from 114 accidents in 2024. Increased participation and attendance levels also contributed to the accident rate rising from 0.64 to 0.79 accidents per 10,000 visits across the full calendar year, although this remains well below EA's company threshold.

2025 Accident Analysis												
Contract	Site	Total Site Attendance	Total Accidents	Natural Causes	Sporting Injury	Other type of Injury	No of Customer Accidents	No of SLIPS (Non-Sporting)	No Of Accidents involving	No of Contractor Accidents	No of Colleague Accidents	Monthly Accident Rate per 10,000 Visits
2025	Grange Paddocks	845552	51	6	8	37	49	0	0	0	4	0.5795
	Hartham Leisure Centre	668205	77	7	15	54	71	2	0	0	7	1.0625
	TOTAL	1513757	128	13	23	91	120	2	0	0	11	0.7927

2.9.4 Inspections

In addition to EA's internal monitoring processes, East Herts Council officers undertake a programme of both announced and unannounced monthly inspections across the sites. These reviews assess key areas including service delivery, cleanliness and communications, health and safety compliance, and adherence to operational monitoring procedures. Findings are formally recorded and used to support continuous improvement, maintain service standards, and ensure ongoing compliance across the contract.

2.10 Utilities

- During 2025, key operational challenges centred around managing building efficiency, maintaining effective environmental controls, and reviewing system set points to ensure appropriate air temperature and lighting levels across the facilities.

- Significant issues were experienced with the air source heat pump at Hartham, which led to a temporary unit, that was replaced in January. In addition, the combined heat and power (CHP) unit experienced issues during the first half of the year, limiting its operational efficiency.

2.10.1 EA continues to perform quarterly building inspections to review core energy management measures, including temperature set points and time clock settings. This ensures systems operate efficiently and unnecessary energy consumption is minimised. Small operational adjustments, such as aligning exterior lighting times with seasonal daylight changes, have also been implemented to support improved energy efficiency.

2.10.2 Renewable energy

- Across Hartham and Grange Paddocks, renewable and alternative energy systems continue to support energy efficiency, including PV solar installations at both sites, and a combined heat and power unit at Grange Paddocks. This uses gas to generate an alternative source of power and reduce reliance on grid electricity.
- During the first full 12-month period of operation in 2025, PV solar performance improved steadily over the summer months in line with increased daylight hours. Performance reduced temporarily in August when the solar panels were removed to allow further investigation into roofing leaks at Hartham.

2.10.3 Electricity consumption

Overall, energy consumption increased by 1.16% between 2024 and 2025, equating to an additional 17,316 kWh. A key contributing factor was the change in energy usage at Hartham, where the refurbished areas are now primarily operated through an air source heat pump system that relies solely on electricity. As a result, Hartham recorded a 66% year on year increase in electricity consumption, reflecting the significant change in the size and operational mix of the facility. Further reviews by EA are ongoing to identify where additional efficiencies can be achieved.

2.10.4 Gas consumption

- As previously noted, there has been a shift in gas consumption patterns across the sites. Grange Paddocks operates a combined heat and power unit, which uses gas to generate power as a more cost-effective alternative to electricity.

- Overall gas consumption increased by 4.71% during 2025. Consumption trends differed from 2024, with significantly higher usage during Quarter 1 before reversing between April and July. As part of ongoing energy management reviews, further investigations are being undertaken into boiler performance and efficiencies during colder periods to identify potential improvements.

2.10.5 Water consumption

Year on year water consumption has stabilised, delivering an overall saving of 3.65%. However, Quarter 4 showed higher than expected usage, with each month recording an increase in consumption compared to the same period in 2024. This trend will continue to be monitored as part of ongoing utility and efficiency reviews

2.10.6 Recycled waste

Using data from the Veolia management platform, waste performance has been monitored across two key areas. Pure recycling rates, measured by waste volume rather than annual averages, increased from 29.1% in 2024 to 34.9% in 2025, demonstrating positive progress towards the long-term target of 40%. The data also shows a gradual improvement in recycling performance throughout the year, with Quarter 4 recording particularly positive net growth.

	Column Labels				
Values	2021	2022	2023	2024	2025
Total waste weight (Tonnes)	14.00	28.95	31.09	29.73	27.74
Landfilled Weight (Tonnes)	10.70	22.19	21.30	21.08	18.07
Recycled weight (tonnes)	3.30	6.76	9.79	8.65	9.67
Recycling %	23.6%	23.4%	31.5%	29.1%	34.9%
Non Recycling	76.4%	76.6%	68.5%	70.9%	65.1%

3.0 Performance summary

3.1 Overall performance during 2025 remained strong. Although headline attendance figures were lower than the previous year, this primarily reflected the reduction in available facilities rather than a fall in customer demand.

3.2 A like-for-like comparison of activity at Hartham and Grange Paddocks showed increased participation across several key areas. Investment in both centres by EA enhanced the quality of the facilities and improved the overall customer experience, although refurbishment works resulted in some temporary disruption during the year.

3.3 Community health and wellbeing programmes also continued to grow, with increased exercise referral activity, strengthened partnerships with healthcare providers, and a broad range of initiatives aimed at engaging inactive residents and

promoting healthier lifestyles. These programmes contributed to a further increase in the overall social value.

3.4 Performance within fitness and group exercise was particularly strong, with sustained participation and continued growth in activities that support long term health and wellbeing. Swimming participation was impacted by the loss of pool capacity following the closure of the dual use sites; however, attendance at the remaining facilities remained broadly stable, with senior participation increasing during the year.

3.5 The service also maintained its commitment to workforce development, supporting colleagues through internal progression opportunities, while continuing to focus strongly on customer experience and community impact.

4.0 Implications/Consultations

Community Safety

Nothing arising from this report.

Data Protection

Nothing arising from this report

Equalities

East Herts Council continues to liaise with Everyone Active regarding accessible gym and physical activity classes and ensure that this is reviewed regularly. Everyone Active is committed to removing barriers to allow participation for all. To support this Everyone Active have a National Inclusion & Wellbeing Manager, who supports sites with inclusivity, diversity and belonging.

Environmental Sustainability

The Council's operations team continue to work with Everyone Active and other internal teams to reduce carbon emissions where possible. This is a priority workflow, which is ongoing.

Financial

Nothing arising from this report.

Health and Safety

Everyone Active have robust health and safety in place, this is reviewed monthly by Council Officers who are supported by the Council's Health and Safety Officer.

Human Resources

Nothing arising from this report.

Human Rights

Nothing arising from this report.

Legal

Nothing arising from this report.

Specific Wards

Nothing arising from this report.

Contact Member

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Agenda Item 8

East Herts Council Report

Audit and Governance Committee

Date of meeting: 30 June 2026

Report by: Councillor Carl Brittain – Executive Member for Financial Sustainability

Report title: External Auditors Audit Plan 2025/26

Ward(s) affected: (All Wards);

Summary – The external auditor, Azets, will present their Audit Plan Report 2025/26 to the Committee, setting out the planning for the audit of the 2025/26 Statement of Accounts.

RECOMMENDATIONS FOR AUDIT & GOVERNANCE COMMITTEE:

- a) Receive and make any comments on the external auditor's Audit Plan for 2025/26.

1.0 Proposal(s)

1.1 The 2025/26 audit of the statement of accounts will be undertaken by Azets who are appointed by Public Sector Audit Appointments Limited. The plan sets out the auditor's planned work to deliver an opinion on the 2025/26 statement of accounts, their assessment of risk and indicative fee levels.

1.2 The report and proposals are the external auditors and whilst officers are consulted on factual accuracy, they have no ability to change anything in the report.

1.3 The external auditor's Audit Plan report for 2025/26 is attached at Appendix A.

1.4 The scale fee is set by Public Sector Audit Appointments Limited (PSAA) and for the 2025/26 audit will be £185,917.

2.0 Background

2.1 The 2023/24 to 2027/28 audits were subject to a competitive tendering exercise undertaken by PSAA and Azets Audit Services has been appointed for this period.

2.2 The Government has implemented a mandated deadline for completing audits, designed to tackle the backlog of uncompleted financial statement audits. For 2025/26, councils needed to produce draft Statement of Accounts by 30 June 2026, the statutory backstop date for local council completed audits is 31 January 2027.

2.3 The Audit Plan being presented by the external auditor's details how they will go about completing the audit.

3.0 Reason(s)

3.1 The external auditor is required by auditing standards to present the Committee with their Audit Planning Report.

4.0 Options

4.1 Members can ask questions and make observations to the external auditor, but they cannot reject the Audit Plan Report.

5.0 Risks

5.1 The main risk to the delivery of the audit plan, and receiving an audit opinion by the back stop date is the capacity of both the audit team and finance team to deliver the significant amount of build back work required to gain assurance on the councils accounts.

6.0 Implications/Consultations

6.1

Community Safety

None arising from this report

Data Protection

None arising from this report

Equalities

None arising from this report

Environmental Sustainability

None arising from this report

Financial

Contained within the report

Health and Safety

None arising from this report

Human Resources

None arising from this report

Human Rights

None arising from this report

Legal

None arising from this report

Specific Wards

Yes/No

7.0 Background papers, appendices and other relevant material

7.1 Appendix A – External Audit Plan 2025/26

Contact Member

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East Hertfordshire District Council

External Audit Plan DRAFT
Year ended 31 March 2026

April 2026

Your key team members

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This report has been prepared for the sole use of those charged with governance, should not be quoted in whole or in part without our prior written consent, and should not be relied upon by third parties. No responsibility is assumed by Azets Audit Services to any third parties. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting, on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Adding value through the audit

All our clients' demand of us a positive contribution to meeting their ever-changing business needs. Our aim is to add value to the Council through our external audit work by being constructive and forward looking, by identifying areas of improvement and by recommending and encouraging good practice. In this way, we aim to help the Council promote improved standards of governance, better management and decision making and more effective use of resources.

Management responsibility

The primary responsibility for the prevention and detection of fraud rests with management and those charged with governance, including establishing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. As auditors, we obtain reasonable, but not absolute, assurance that the financial statements, as a whole, are free from material misstatement, whether caused by fraud or error.

Introduction and audit scope

This audit plan highlights the key elements of our proposed audit strategy and provides an overview of the planned scope and timing of the statutory external audit of East Hertfordshire District Council ('the Council') and its Group for the year ended 31 March 2026

Scope of our audit

The scope of our audit is set in accordance with the Code of Audit Practice published by the National Audit Office and International Standards on Auditing UK (ISAs). We are responsible for:

- ▶ **Financial statements:** forming and expressing an opinion on the Council's financial statements; and
- ▶ **Value for money:** considering whether there are sufficient arrangements in place at the Council for securing economy, efficiency and effectiveness in its use of resources (our value for money work).

The audit does not relieve management or the Audit and Governance Committee of their responsibilities. It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. Our role is to consider how the Council is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Council's business and is risk-based.

We will conduct our audit in accordance with International Standards on Auditing (ISAs) (UK), the Local Audit and Accountability Act 2014 (the 'Act') and the National Audit Office Code of Audit Practice 2024. The Code of Audit Practice sets out what local auditors of relevant local public bodies are required to do to fulfil their statutory responsibilities under the Act.

Our communication to those charged with governance at the Council will be through the Audit and Governance Committee.



Introduction and audit scope

Our respective responsibilities

Council responsibilities

Your responsibilities include:

- ▶ Preparing financial statements which give a true and fair view, in accordance with the applicable financial reporting framework and relevant legislation;
- ▶ Preparing and publishing, along with the financial statements, an annual governance statement and narrative report;
- ▶ Maintaining proper accounting records and preparing working papers to an acceptable professional standard that support your financial statements and related disclosures;
- ▶ Establishing and maintaining a sound system of internal control;
- ▶ Maintaining standards of conduct for the prevention and detection of fraud and other irregularities;
- ▶ Maintaining strong corporate governance arrangements and a financial position that is soundly based;
- ▶ Establishing and maintaining an effective internal audit function;
- ▶ Ensuring the proper financial stewardship of public funds, complying with relevant legislation and establishing effective arrangements for governance, propriety and regularity.

Auditor responsibilities

Our primary responsibility is to form and express an independent opinion on the Council's and Group's financial statements, stating whether they provide a true and fair view and have been prepared properly in accordance with applicable law and the CIPFA Code of Practice on Local Authority Accounting in the UK (the 'CIPFA Code'). We are also required to:

- ▶ Report on whether the other information included in the Statement of Accounts (including the Narrative Report and Annual Governance Statement) is consistent with the financial statements;
- ▶ Report by exception if the disclosures in the Annual Governance Statement are incomplete or if the Annual Governance Statement is misleading or inconsistent with our knowledge acquired during the audit;
- ▶ Report by exception any significant weaknesses identified in arrangements for securing value for money and a summary of associated recommendations;
- ▶ Report by exception on the use of our other statutory powers and duties; and
- ▶ Certify completion of our audit.

We will issue our Audit Completion Report and an Auditors Annual Report to the Audit and Governance Committee setting out the findings from our work. The audit does not relieve management or the Audit and Governance Committee of your responsibilities, including those in relation to the preparation of the financial statements.

Statutory powers

Under the Act we have a broad range of reporting responsibilities and powers that are unique to local authorities in the United Kingdom. These include:

- ▶ Reporting matters in the public interest;
- ▶ Making written recommendations to the Council;
- ▶ Making an application to the court for a declaration that an item of account is contrary to law;
- ▶ Issuing an advisory notice;
- ▶ Making an application for judicial review; and
- ▶ Giving electors the opportunity to raise questions about your financial statements and considering and deciding upon any objections received in relation to the financial statements.



General approach

Our objective when performing an audit is to obtain reasonable assurance about whether the financial statements are free from material misstatement and to issue our auditor's opinion.

As part of our risk-based audit approach, we will:

- ▶ Perform risk assessment procedures including updating our understanding of the Council and Group, including its environment, the financial reporting framework and its system of internal control;
- ▶ Review the design and implementation of key internal controls;
- ▶ Identify and assess the risks of material misstatement, whether due to fraud or error, at the financial statement level and the assertion level for classes of transaction, account balances and disclosures;
- ▶ Design and perform audit procedures responsive to those risks, to obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion; and
- ▶ Exercise professional judgment and maintain professional scepticism throughout the audit recognising that circumstances may exist that cause the financial statements to be materially misstated.

We would ordinarily undertake a variety of audit procedures designed to provide us with sufficient evidence to give us reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. However, as your prior years' financial statements have been disclaimed, we will this year undertake specific procedures to build back assurance in accordance with LARRIG06 and in line with our overarching build back plan.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Accounting systems and internal controls

The purpose of an audit is to express an opinion on the financial statements. We will follow a substantive testing approach to gain audit assurance rather than relying on tests of controls. As part of our work, we consider certain internal controls relevant to the preparation of the financial statements such that we are able to design appropriate audit procedures. However, this work does not cover all internal controls and is not designed for the purpose of expressing an opinion on the effectiveness of internal controls. If, as part of our consideration of internal controls, we identify significant deficiencies in controls, we will report these to you in writing.



Audit approach

Other key areas

Going concern: management responsibility

Management is required to make and document an assessment of whether the Council and Group is a going concern when preparing the financial statements. The review period should cover at least 12 months from the date of approval of the financial statements. Management are also required to make balanced, proportionate and clear disclosures about going concern within the financial statements where material uncertainties exist in order to give a true and fair view.

Related party transactions

ISA 550 requires that the audit process starts with the audited body providing a list of related parties to the auditor, including any entities under common control. During our initial audit planning you have informed us of the individuals and entities that you consider to be related parties. Please advise us of any changes as and when they arise.

Going concern: auditor responsibility

Under ISA (UK) 570, we are required to consider the appropriateness of management's use of the going concern assumption in the preparation of the financial statements and consider whether there are material uncertainties about the Council's or Group's ability to continue as a going concern that need to be disclosed in the financial statements.

In assessing going concern, we will consider the guidance published in the CIPFA/LASAAC Code of Practice 2025/26 (CIPFA Code) and Practice Note 10 (PN10), which focuses on the anticipated future provision of services in the public sector rather than the future existence of the entity itself.

Use of experts

We will use audit specialists to assist us in our audit work in the following areas:

- The audit of actuarial assumptions used in the calculation of the defined benefit pension liability/asset;
- ▶ The audit of property valuations, should the need arise during the audit.

Additional procedures required by the National Audit Office

The National Audit Office (NAO) team for the Whole of Government Accounts issues group audit instructions which set out additional audit requirements. We expect the procedures for this year to be similar to previous years. The NAO audit team request us to undertake specific audit procedures in order to provide them with additional assurance over the amounts recorded in the Council's WGA schedules. The extent of these procedures will depend on whether the Council has been selected by the NAO as a sampled component for 2025/26. As at the date of this report, the draft instructions have not yet been issued by the NAO and the NAO has not yet confirmed which entities will be sampled components. We will comply with the instructions and report to the NAO in accordance with their requirements once instructions have been issued.



Audit Timeline

The following timeline indicates the key milestones of the audit.



Planning	Interim	Period end: 31 st March	Final accounts	Audit Committee	Completion	Sign off
<ul style="list-style-type: none"> Identify changes in your business environment Determine materiality Scope the audit Risk assessment Planning meetings with management Planning requirements checklist to management Issue audit plan 	<ul style="list-style-type: none"> Document control design and effectiveness Discuss audit plan with audit committee Early testing 	<ul style="list-style-type: none"> Management to produce accounts for audit by statutory deadline of 30 June 2026 	<ul style="list-style-type: none"> Regular updates with management Completion of all audit testing Review of Narrative Report and Annual Governance Statement Undertake procedures on significant risk areas Report observations on other risk areas, management judgements Draft Audit Completion Report Share with management for comment 	<ul style="list-style-type: none"> Discuss audit findings with audit committee Issue draft Audit Completion (ISA260) report 	<ul style="list-style-type: none"> Subsequent events procedures Management representation letter Receive IAS19 assurance letter from pension fund auditor Sign financial statements Issue Auditor's Annual Report 	<ul style="list-style-type: none"> Sign audit report opinion Issue delayed audit certificate



Materiality

We apply the concept of materiality both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements

An omission or misstatement is regarded as material if it would reasonably influence the users of the financial statements. The assessment of what is material is a matter of professional judgement and is affected by our assessment of the risk profile of the Council and the needs of the users. When planning, we make professional judgements about the size of misstatements which we consider to be material, based on our knowledge of the Council, considering factors such as financial stability, expectations of readers and stakeholders, sector developments and financial reporting requirements. In determining materiality, we consider the level of misstatement that could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Whilst our audit procedures are designed to identify misstatements which are material to our audit opinion, we also report any uncorrected misstatements of lower value errors we identify.

Under ISA (UK) 260 we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial'. ISA (UK) 260 defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

Our determination of materiality:

- ▶ Informs the scope of our audit and audit procedures
- ▶ Informs the sample sizes required for substantive testing
- ▶ Informs our evaluation of the effect of actual and projected misstatements in the financial statements.

Materiality is revised as our audit progresses, should we become aware of any information that would have caused us to determine a different amount had we known about it during our planning.

We also consider whether any specific items of account require a separate, lower materiality. We have determined that no specific materiality levels need to be set for this audit.



Materiality

The table below highlights the levels of materiality determined at the planning stage of the audit

	Group £000	Council £000	Explanation
Overall materiality for the financial statements	1,607	1,518	This is 2% of gross revenue expenditure based on the prior year audited financial statements. This is a common measure for calculating materiality for councils as the primary interest of users of the Council's financial statements is in the cost of providing services, how the Council manages its spending and where the Council has expended its income during the year.
Performance materiality	964	910	Performance materiality has been set at 60% of overall materiality. This is based on the internal control environment of the Council and reflects our risk assessed knowledge of the potential for errors occurring. It is intended to reduce, to an acceptably low level, the probability that cumulative undetected and uncorrected misstatements exceed materiality for the financial statements as a whole.
Trivial threshold	80	75	This is set at 5% of the overall materiality calculation. Individual errors above this threshold are communicated to those charged with governance.



Significant risks of material misstatement

Significant risks are risks that require special audit consideration

Significant risks include risks of material misstatement that are close to the upper range of inherent risk due to their nature and the likelihood and potential magnitude of misstatement or are required to be treated as significant risks by auditing standards.

The table below summarises the significant risks we have identified from our audit planning. Detail behind each risk and the work proposed is set out on the subsequent pages.

All other material balances and transaction streams will also be audited; however, the procedures will not be as extensive as for the risks identified below.

Significant risk	Financial Statement / Assertion Level Risk	Fraud risk?	Approach to controls	Level of judgement / estimation uncertainty
Management override of controls	Financial Statement Level	Yes	Assess design & implementation	Very high
Prior year opinion on the financial statements	Financial Statement Level	No	Assess design & implementation	Very high
Presumption of fraud in revenue recognition	Assertion Level	Rebutted	Process documentation only	Low
Presumption of fraud in expenditure recognition	Assertion level	Rebutted	Process documentation only	Low
Valuation of land and buildings	Assertion Level	No	Assess design & implementation	High
Valuation of investment properties	Assertion Level	No	Assess design & implementation	High
Valuation of the defined benefit pension fund net liability / asset (IAS19)	Assertion Level	No	Assess design & implementation	High
Incorrect capitalisation of in year additions	Assertion Level	No	Assess design & implementation	High



Significant risks of material misstatement

Significant risks at the financial statement level

The table below summarises significant risks of material misstatement at the financial statement level. These risks are considered to have a pervasive impact on the financial statements as a whole and potentially affect many assertions for classes of transaction, account balances and disclosures.

Significant risk	Audit approach
<p>Management override of controls (Council and Group)</p> <p>Auditing Standards require auditors to treat management override of controls as a significant risk on all audits. This is because management is in a unique position to perpetrate fraud by manipulating accounting records and overriding controls that otherwise appear to be operating effectively.</p> <p>Although the level of risk of management override of controls will vary from entity to entity, the risk is nevertheless present in all entities.</p> <p>Specific areas of potential risk including manual journals, management estimates and judgements and one-off transactions outside the ordinary course of the business.</p> <p>Risk of material misstatement: Very High</p>	<p>Procedures we will perform to mitigate risks of material misstatement in this area will include:</p> <ul style="list-style-type: none">• Documenting our understanding of the journals posting process and evaluating the design effectiveness and implementation of management controls over journals;• Analysing the journals listing and determining the criteria for selecting high risk and/or unusual journals;• Testing high risk and/or unusual journals posted during the year and after the draft accounts stage back to supporting documentation for appropriateness, corroboration and to ensure approval has been undertaken in line with the Council's and Group's journals policy;• Gaining an understanding of the key accounting estimates and critical judgements made by management. We will also challenge assumptions and consider for reasonableness and indicators of bias which could result in material misstatement due to fraud; and• Evaluating the rationale for any changes in accounting policies, estimate or significant unusual transactions.



Significant risks of material misstatement

Significant risk	Audit approach
<p>Prior year opinion on the financial statements - (Council and group)</p> <p>As a result of the backstop implemented on 27 February 2026, a disclaimer audit opinion was provided on the Council and Group’s 2024/25 financial statements. Disclaimed audit opinions have also been provided on the Council’s accounts for the 2021/22, 2022/23 and 2023/24 financial years.</p> <p>As a result of prior year disclaimed audit opinion:</p> <ul style="list-style-type: none"> • There is limited assurance available over the Council’s opening balances, including those balances which involve higher levels of management judgement and more complex estimation techniques (e.g. defined benefit pension valuations, land and building, council dwelling and investment property valuations, amongst others); and • Significant transactions, accounting treatment and management judgements may not have been subject to audits for one or more years – or at all. This may include management judgements and accounting treatment in respect of significant or complex schemes or transactions which came into effect during the qualified or disclaimed period/s. <p>The absence of prior year assurance raises a significant risk of material misstatement at the financial statement level that may require additional audit procedures.</p> <p>Inherent risk of material misstatement:</p> <ul style="list-style-type: none"> • Prior year opinion on the financial statements: Very high 	<p>Our approach to this risk is covered in detail in the “Building back assurances” section later in this plan.</p>



Significant risks of material misstatement

Significant risks at the assertion level for classes of transaction, account balances and disclosures

The following tables summarise significant risks of material misstatement at the assertion level for classes of transaction, account balances and disclosures

Significant risk	Audit approach
<p>Fraud in revenue recognition (Council and Group)</p> <p>Material misstatement due to fraudulent financial reporting relating to revenue recognition is a rebuttable presumed risk in ISA (UK) 240.</p> <p>Having considered the nature of the revenue streams at the Council, we consider that the risk of fraud in revenue recognition can be rebutted due to the following:</p> <ul style="list-style-type: none"> • There is little incentive to manipulate revenue recognition; • Opportunities to manipulate revenue recognition are very limited; • The culture and ethical frameworks of local authorities mean that all forms of fraud are seen as unacceptable <p>Therefore, we do not consider this to be a significant risk for the Council or Group.</p> <p>Inherent risk of material misstatement: -</p> <ul style="list-style-type: none"> • Revenue recognition (Occurrence, Accuracy): Low • Receivables (Existence, Valuation): Low 	<p>We do not consider this to be a significant risk for the Council and Group and standard audit procedures will be carried out. We will keep this judgement under review throughout the audit to ensure it remains appropriate.</p>



Significant risks of material misstatement

Significant risk	Audit approach
<p>Fraud in expenditure recognition (Council and Group)</p> <p>Due to the presumption that there are risks of fraud in expenditure recognition, we are required to evaluate which types of expenditure, expenditure transactions or assertions give rise to such risks.</p> <p>We have considered Practice Note 10, which comments that for certain public bodies, the risk of manipulating expenditure could exceed the risk of manipulating revenue. We have therefore considered the risk of fraud in expenditure at the Council for all expenditure streams and concluded that there is not a significant risk. This is due to the low fraud risk in the nature of the underlying nature of the transactions, the high predictability of certain expenditure streams, such as payroll or interest, or the immaterial nature of the expenditure streams both individually and collectively.</p> <p>Inherent risk of material misstatement:</p> <ul style="list-style-type: none"> • Expenditure recognition (Completeness): Low • Payables (Existence, Valuation): Low <p>We will be testing completeness of expenditure recognition in relation to capital expenditure on the risk noted on page 15.</p>	<p>We do not consider this to be a significant risk for the Council and Group and standard audit procedures will be carried out. We will keep this judgement under review throughout the audit to ensure it remains appropriate.</p>



Significant risks of material misstatement

Significant risk	Audit approach
<p>Incorrect capitalisation of in year additions– relates to Council and Group</p> <p>We have brought forward this risk from the predecessor auditor, as no audit procedures were undertaken in this area in previous years. We have assessed that the risk of misstatement of revenue outturn in the financial statements is most likely to be achieved through:</p> <ul style="list-style-type: none"> • Revenue expenditure being inappropriately recognised as capital expenditure at the point it is posted to the general ledger; • Expenditure being inappropriately transferred by journal from revenue to capital codes on the general ledger at the end of the year. <p>If this were to happen it would have the impact of understating revenue expenditure and overstating property, plant and equipment additions in the financial statements.</p> <p>Inherent risk of material misstatement:</p> <ul style="list-style-type: none"> • Capitalisation of revenue expenditure (existence and classification):High 	<p>Procedures we will perform to mitigate risks of material misstatement in this area will include:</p> <ul style="list-style-type: none"> • Documenting our understanding of the Council’s systems for capitalisation of expenditure to identify significant classes of transactions, account balances and disclosures with a risk of material misstatement in the financial statements • Evaluating the design and implementation of the controls in the key accounting systems, where a risk of material misstatement was identified, by performing a walkthrough of the systems; • Obtaining a general ledger breakdown of capital additions in the year, reconciling this to the Fixed Assets Register and reviewing the general ledger descriptions to identify whether there are any potential transactional items that could be revenue in nature; • Sample testing additions to property, plant and equipment to ensure they have been correctly classified as capital and included at the correct value in order to identify any revenue items that have been inappropriately capitalised. We review the sample selected against the definition of capital expenditure in IAS 16; • As part of our journals testing strategy, reviewing unusual journals transferring expenditure from revenue to capital codes on the general ledger at the end of the year.



Significant risks of material misstatement

Significant risk	Audit approach
<p>Valuation of land and buildings (key accounting estimate) (Council and Group)</p> <p>Revaluation of operational land and buildings should be performed in line with the revised revaluation requirements for 2025/26 onwards set out in the CIPFA Code. . The Council has adopted a rolling five-year programme in its land and buildings valuations for 2025/26 with use of indexation in intervening years, to ensure compliance with the revised requirements set out in the 2025/26 CIPFA Code.</p> <p>Management employs a qualified valuer, who is a Regulated Member of the Royal Institute of Chartered Surveyors (RICS), to undertake any valuations required as of 31 March 2026.</p> <p>The valuations and index uplifts involve a wide range of assumptions and source data and are therefore sensitive to changes in market conditions. ISAs (UK) 500 and 540 require us to undertake audit procedures on the use of external expert valuers and the methods, assumptions and source data underlying the fair value estimates. This represents a key accounting estimate made by management within the financial statements due to the size of the values involved, the subjectivity of the measurement and the sensitive nature of the estimate to changes in key assumptions. We have therefore identified the valuation of operational land and buildings as a significant risk.</p> <p>We will further pinpoint this risk to specific assets, or asset types, on receipt of the draft financial statements and the year-end updated asset valuations, to those assets where the valuation movement falls outside of our expectations, there are significant changes to any of the key assumptions or the year-end valuation is considered material.</p> <p>Inherent risk of material misstatement: Land and Buildings (valuation): High</p>	<p>Procedures we will perform to mitigate risks of material misstatement in this area will include:</p> <ul style="list-style-type: none"> • Evaluating management processes, controls and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work; • Evaluating the competence, capabilities and objectivity of the valuation expert; • Considering the basis on which the valuations are carried out and challenging the key assumptions applied; • Evaluating the reasonableness of the valuation movements for assets revalued during the year, with reference to market data; • For unusual or unexpected valuation movements, testing the information used by the valuer to ensure it is complete and consistent with our understanding; • Ensuring revaluations made during the year have been input correctly to the fixed asset register and the accounting treatment within the financial statements is correct; and • Evaluating the assumptions made by management for any assets not revalued during the year and how management are satisfied that these are not materially misstated; • Engaging our own valuations expert, where necessary, to assess any judgemental assumptions used that underpin the final valuations.



Significant risks of material misstatement

Significant risk	Audit approach
<p>Valuation of investment properties (key accounting estimate) (Council and Group)</p> <p>The Council undertakes a full revaluation of its investment properties annually, to ensure that the carrying value is not materially different from the fair value. Management employs a qualified valuer, who is a Regulated Member of the Royal Institute of Chartered Surveyors (RICS), to undertake these valuations as of 31 March 2026.</p> <p>The valuations involve a wide range of assumptions and source data and are therefore sensitive to changes in market conditions. ISAs (UK) 500 and 540 require us to undertake audit procedures on the use of external expert valuers and the methods, assumptions and source data underlying the fair value estimates. This represents a key accounting estimate made by management within the financial statements due to the size of the values involved, the subjectivity of the measurement and the sensitive nature of the estimate to changes in key assumptions. We have therefore identified the valuation of investment properties as a significant risk.</p> <p>We will further pinpoint this risk to specific assets, or asset types, on receipt of the draft financial statements and the year-end updated asset valuations, to those assets where the valuation movement falls outside of our expectations, there are significant changes to any of the key assumptions or the year-end valuation is considered material.</p> <p>Inherent risk of material misstatement:</p> <ul style="list-style-type: none"> Investment properties (valuation): High 	<p>Procedures we will perform to mitigate risks of material misstatement in this area will include:</p> <ul style="list-style-type: none"> Evaluating management processes, controls and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work; Evaluating the competence, capabilities and objectivity of the valuation expert; Considering the basis on which the valuations are carried out and challenging the key assumptions applied; Evaluating the reasonableness of the valuation movements for assets revalued during the year, with reference to market data; For unusual or unexpected valuation movements, testing the information used by the valuer to ensure it is complete and consistent with our understanding; Ensuring revaluations made during the year have been input correctly to the fixed asset register and the accounting treatment within the financial statements is correct; and Engaging our own valuations expert, where necessary, to assess any judgemental assumptions used that underpin the final valuations.



Significant risks of material misstatement

Significant risk	Audit approach
<p>Valuation of the defined benefit pension net liability / asset – IAS19 (key accounting estimate) (Council and Group)</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions. An actuarial estimate of the net defined benefit pension liability/asset is calculated on an annual basis under IAS 19 ‘Employee Benefits’, and on a triennial funding basis, by an independent firm of actuaries with specialist knowledge and experience. The triennial estimates are based on the most up to date membership data held by the pension fund and a roll forward approach is used in intervening years, as permitted by the CIPFA Code.</p> <p>The calculations involve a number of key assumptions, such as discount rates and inflation and local factors such as mortality rates and expected pay rises. The estimates are highly sensitive to changes in these assumptions and the calculation of any asset ceiling when determining the value of a pension asset (where relevant). ISAs (UK) 500 and 540 require us to undertake audit procedures on the use of external experts (the actuary) and the methods, assumptions and source data underlying the estimates.</p> <p>This represents a key accounting estimate made by management within the financial statements due to the size of the gross asset and liability values involved, the subjectivity of the measurement and the sensitive nature of the estimate to changes in key assumptions. We have therefore identified the valuation of the net pension liability/asset as a significant risk.</p> <p>Inherent risk of material misstatement:</p> <ul style="list-style-type: none"> • Pension fund net liability / asset (valuation):High 	<p>Procedures we will perform to mitigate risks of material misstatement in this area will include:</p> <ul style="list-style-type: none"> • Evaluating managements processes for the calculation of the estimate, the instructions issued to management’s expert (the actuary) and the scope of their work; • Evaluating the competence, capabilities and objectivity of the actuary; • Assessing the controls in place to ensure that the data provided to the actuary by the Council and their pension fund was accurate and complete; • Evaluating the methods, assumptions and source data used by the actuary in their valuations, with the support of an auditors’ expert; • Testing the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary. • If the pension fund is in surplus, ensuring that any asset recorded in the financial statements, and any additional liabilities for secondary contributions have been accounted for correctly in line with the requirements of IFRIC 14; • Obtaining assurances from the pension fund auditor as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements; and • Ensuring pension valuation movements for the year and related disclosures have been correctly reflected in the financial statements.



This section summarises other identified risks which, although not considered to be significant, require specific consideration during the audit.

Other risk	Audit approach
<p>Minimum revenue provision - relates to Council</p> <p>Linked to the risk of ‘misstatements due to fraud and error’, we consider specific areas where management makes significant judgements that impact charges to the General Fund balance. Local authorities are required to charge a ‘Minimum Revenue Provision’ (MRP) to the General Fund in each financial year related to borrowing. The calculation of this charge is based on the Capital Financing Requirement. Local authorities have flexibility in how they calculate MRP but need to ensure the calculation is prudent. In calculating a prudent provision, local authorities are required to have regard to statutory guidance. There is a risk that the Council may not been appropriately prudent in its calculation of MRP and/or not followed the relevant statutory guidance.</p>	<p>Procedures we will perform to mitigate risks of material misstatement in this area will include:</p> <ul style="list-style-type: none"> • Gaining an understanding of the processes and controls put in place by management to calculate Minimum revenue provision • Assessing and reviewing the calculation of the Capital Financing Requirement to ensure it is appropriate and consistent with other notes in the financial statements • Reviewing the MRP Policy statement and confirming consistency with prior year or any changes thereof; • Evaluating the appropriateness of the Council’s MRP policy • Evaluating whether MRP has been appropriately calculated in accordance with the revised statutory guidance.



Other risks

Other risk	Audit approach
<p>Implementation of IFRS16 – right of use assets</p> <p>IFRS 16 became effective for local government bodies from 1 April 2024. As the Council must now recognise right-of-use assets and lease liabilities, this represents a significant change from IAS 17.</p> <p>Although the Council reported no material operating leases at 31 March 2024, it is required to reassess all leasing arrangements under IFRS 16. For 2024/25, no ROU assets or lease liabilities were recognised in the draft statements, and we are awaiting management’s assessment supporting this conclusion.</p> <p>Given the first-year implementation and potential for misstatement, this has been raised as an area of focus.</p> <p>Inherent risk of material misstatement:</p> <ul style="list-style-type: none"> • Completeness and valuation: Medium 	<p>Procedures we will perform to mitigate risks of material misstatement in this area will include:</p> <ul style="list-style-type: none"> • Assessing the appropriateness of the Council’s approach to identification of leases captured within the scope of IFRS 16, with a particular focus on ensuring completeness of leases; • Understanding the Council’s systems and processes to capture the data required to account for right of use (RoU) lease assets and their associated liability in accordance with IFRS 16; • Reviewing the council’s accounting policies for the year ended 31 March 2026 to assess whether they reflect the requirements of the new accounting standard; • Assessing the existence, valuation, accuracy and completeness of the right of use assets and associates lease liabilities, and the related disclosures within the financial statements. • Evaluating whether RoU assets and lease liabilities have been appropriately remeasured in line with the requirements of IFRS 16 as set out in the CIPFA Code.

Group audit

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As group auditors, we are required to obtain sufficient appropriate audit evidence regarding the financial information of the components and regarding the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

Risks at the component level

The risks identified at the Council are set out in this audit plan. There are no additional risks identified in any of the other components in respect of the Group audit.

Note that a component may require a statutory audit under UK or overseas company law irrespective of whether an audit is required for group reporting purposes. Management should therefore satisfy themselves that all UK and overseas company law requirements are adhered to on a component-by-component basis.

The table on the next page sets out the components within the group and our planned audit approach in respect of each component.



Group audit

Component	Risk of material misstatement to the Group?	Scope	Planned audit approach	Risks identified	To be carried out by
East Hertfordshire District Council	Yes	Full scope	Full scope statutory audit performed as set out in this report	As set out in section: <i>“Significant and other risks of material misstatement”</i>	Azets
Millstream Property Investments Ltd	Yes	Specific scope	Specific scope procedures to be performed by group auditor relating to Investment Property and non-current liabilities	Valuation of Investment Property and non-current liabilities	Azets

Full scope Design and perform further audit procedures on the entire financial information of the component;
Specific scope Design and perform further audit procedures on one or more classes of transactions, account balances or disclosures;
None Where risk of material misstatement to the Group is not material

IT Audit strategy

In accordance with ISA (UK) 315, we are required to obtain an understanding of the IT environment related to all key business processes, identify all risks from the use of IT related to those business process controls judged relevant to our audit and assess the relevant IT general controls (ITGCs) in place to mitigate them.

Our audit will include completing an assessment of the design and implementation of ITGCs related to security management; technology acquisition, development and maintenance; and technology infrastructure.

The following IT applications are in scope for IT controls assessment based on the planned financial statement audit approach, we will perform the indicated level of assessment:

IT Application	Audit area	Planned level of IT audit assessment
Advanced	Financial reporting, expenditure, payables, income, receivables, journals etc.	ITGC assessment (design and implementation effectiveness only)
Capita	Revenue and Benefits	ITGC assessment (design and implementation effectiveness only)
Active Directory (network access and authentication)	N/A	ITGC assessment (design and implementation effectiveness only)



Building back assurance

This section sets out the work we plan to undertake in 2025/26 to build back assurance from disclaimed years of audit. Our work is planned in accordance with the statutory guidance set out in Local Audit Reset and Recovery Implementation Guidance (LARRIG) 01 to 06

On 30 September 2024, Statutory Instrument (2024) No. 907 - “The Accounts and Audit (Amendment) Regulations 2024” came into force. This legislation imposed annual statutory backstop dates up to and including the 2027/28 year of account for the publication by the Council of its audited financial statements. For 2025/26, the statutory backstop date is 31 January 2027.

The Code of Audit Practice 2024 specifies that auditors are required to issue their auditor’s report before these dates, even if planned audit procedures are not fully complete, so that local government bodies can comply with the statutory reporting deadline. Where audit work is not complete, this will give rise to a disclaimer of opinion. This means the auditor has not been able to form an opinion on the financial statements.

Disclaimed opinions were issued by the predecessor auditor for 2021/22 and 2022/23 and by Azets in 2023/24 and 2024/25. Following the publication of LARRIGs 01 to 06 we have developed an overarching strategy for building back assurance for the Council, with the aim of recovering assurance by 31 March 2028. This is subject to:

- ▶ Management implementing in full all recommendations in respect of the financial statements raised in our 2024/25 audit completion report and auditor’s annual report;
- ▶ No adverse or unexpected transactions, errors or misstatements being identified in the current or previous periods as part of our work and minimal retrospective changes to previously published financial statements;
- ▶ Robust and effective control environments being in place and operating throughout the disclaimed period;
- ▶ Full availability of supporting records, information and evidence in the current and previous periods;
- ▶ Sufficient capacity within the finance team to facilitate the current year audit and additional work required as part of building back assurance;
- ▶ Current and previous years’ financial statements being of good quality, including all notes, the Narrative Report and the Annual Governance Statement;
- ▶ The availability of good quality working papers being readily available to support previous years of account;
- ▶ The provision of agreed data reports as required, fully reconciled to the values in the accounts, to facilitate our selection of samples for testing in current and previous years;
- ▶ Ensuring staff are available during the period of the audit for current and previous years’ financial statements;
- ▶ Prompt and sufficient responses to audit queries within 3 days to minimise delays.



Building back assurance

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Following the release of LARRIG06 in July 2025 our focus in 2024/25 was commencing the significant and comprehensive risk assessment required under the statutory guidance, analysing reserves movements across the disclaimed period, commencing the substantive testing to build back property, plant and equipment movements across the disclaimed period and reviewing the capital financing requirement and minimum revenue provision calculations across the disclaimed period. Limited work has been undertaken to date due to the delays in the preparation of prior year financial statements.

For 2025/26, our focus will be on in-year transactions, obtaining full closing balances assurance as at 31 March 2026 and commencing in detail our programme of build-back work over the disclaimed period.

Component	Activity	Work planned
<p>Planning</p>	<p>Qualitative Risk Assessment (LARRIG 06)</p> <p>We are required by LARRIG 06 to evaluate the inherent risk of material misstatement in the opening general fund balances and associated earmarked reserves following prior year disclaimers. In the prior year we commenced our detailed assessment of a number of risk factors, as set out in LARRIG 06, including consideration of the following:</p> <ul style="list-style-type: none"> • Whether the Council has a history of timely production of the financial statements • The number of years for which disclaimed opinions have been issued • The complexity and volume of movement in reserves over the disclaimed period • The strength of the control environment in place over the period of disclaimed opinions • Changes in key personnel, financial reporting systems or key processing activities during the disclaimed period • Previous reporting of significant deficiencies in control, significant weaknesses in arrangements to secure VFM or material or other misstatements • The level of reserves in place over the disclaimed period • Issues reported by Internal Audit and in the Annual Governance Statements 	<p>Our initial indications from this work are that the Council is at the higher end of the risk spectrum for building back assurance. This means full procedures over the Council's income and expenditure transactions will be required over the disclaimed period. In 2025/26, we will conclude our qualitative risk assessment and commence substantive testing over the disclaimed period income and expenditure transactions as part of our build back work.</p>



Building back assurance

Component	Activity	Work planned
Planning	<p>Analysis of movements in reserves (Quantitative Risk Assessment (LARRIG 06))</p> <p>We are required by LARRIG06 to evaluate the inherent risk of material misstatement in the opening general fund balances and associated earmarked reserves following prior year disclaimers. In the prior year we commenced our detailed analysis of the Council's useable and unusable reserves movements over the disclaimed period, with a view to assessing the cumulative impact of movements and the impact of any identified inconsistencies or irregularities.</p>	<p>Our initial indications from this work are that the Council is at the higher end of the risk spectrum for building back assurance. This means full procedures over the Council's income and expenditure transactions will be required over the disclaimed period. In 2025/26, we will conclude our qualitative risk assessment and commence substantive testing over the disclaimed period income and expenditure transactions as part of our build back work.</p>
Planning	<p>Integrity of accounts and agreement of financial statements to Council systems</p> <p>This work involves confirming that the accounts produced each year during the disclaimed period agree to the Council's own systems, such as agreeing the accounts to the general ledger for the year in question and agreeing the opening ledger for each year to the prior year financial statements. In the prior year we commenced our work in this area.</p>	<p>In 2025/26 we will continue our work over the disclaimed period. In 2025/26 we will maintain this assurance by undertaking our standard audit procedures.</p>
Planning	<p>Review of predecessor auditor files</p> <p>We will contact the predecessor auditor to arrange our review of their prior year files throughout the disclaimed period and to the last clean opinion.</p>	<p>In 2025/26 we will undertake our work reviewing the predecessor auditor's files for the last completed period and, if necessary, during the disclaimed period.</p>
Planning	<p>Consideration of fraud and the control environment over the disclaimed period</p> <p>We are required by LARRIG06 and ISA315 to consider the risk of fraud and the control environment over the disclaimed period.</p>	<p>In 2025/26 we will commence our work in this area over the disclaimed period. In 2025/26 we will maintain this assurance by undertaking our standard audit procedures.</p>



Building back assurance

Component	Activity	Work planned
Substantive testing	<p>Property, Plant and Equipment: building back assurance over the disclaimed period</p> <p>In order to build back assurance over the reserves, we are required to undertake substantive testing of movements in property, plant and equipment over the disclaimed period.</p>	<p>In 2025/26 we will commence our work building back assurance over the Council's property, plant and equipment movements over the disclaimed period. We will maintain this assurance by auditing the current year movements for property, plant and equipment.</p>
Substantive testing	<p>Balances directly influenced by the opening position: building back assurance over the disclaimed period</p> <p>In order to build back assurance over balances where the closing position is directly influenced by the opening position, we are required to undertake substantive testing of movements in these balances over the disclaimed period.</p>	<p>In 2025/26 we will commence our work building back assurance over these areas over the disclaimed period. We will maintain this assurance by auditing the current year closing balances for these areas.</p>
Substantive testing	<p>Capital financing requirement and minimum revenue provision: building back assurance over the disclaimed period</p> <p>In order to build back assurance over the reserves, we need to substantively verify the calculations behind the capital financial requirement and minimum revenue provision over the disclaimed period.</p>	<p>In 2025/26 we will commence our work building back assurance in this area over the disclaimed period. We will maintain this assurance by auditing the current year disclosures for these areas.</p>
Substantive testing	<p>Journals over the disclaimed period</p> <p>To mitigate the risk of management override of controls over the disclaimed period, we need to undertake substantive, risk-based journals testing over the disclaimed period.</p>	<p>In 2025/26 we will commence our work building back assurance in this area over the disclaimed period. We will maintain this assurance by auditing the current year disclosures for these areas.</p>



Building back assurance

Component	Activity	Work planned
Substantive testing	<p>Income and expenditure transactions over the disclaimed period</p> <p>Our risk assessment has indicated that the Council is at the higher end of the risk spectrum for building back assurance. This means full procedures over the Council's income and expenditure transactions will be required over the disclaimed period.</p>	<p>In 2025/26 we will commence the substantive audit of income and expenditure transactions over the disclaimed period in accordance with the outcome of our qualitative and quantitative risk assessments undertaken in line with LARRIG06.</p>
Scale fee audit 2025/26	<p>Closing balances as at 31 March 2026</p> <p>Obtaining full closing assurance over all balances as at 31 March 2026 is subject to:</p> <ul style="list-style-type: none"> • management implementing in full the recommendations raised during our 2024/25 audit to support the building back of assurance, including in response to the significant weaknesses identified as part of our value for money work • obtaining historic assurance over those balances directly influenced by the closing position • receiving full assurances from the pension fund auditor in respect of the net pension liability (IAS19) • no significant errors being identified in either our build back assurance work or the current year audit 	<p>In 2025/26 we plan to obtain assurance over all material closing balances as at 31 March 2026.</p> <p>Once obtained, this will form the first of three years of closing assurance required to move to a non-disclaimed position in 2027/28.</p>
Scale fee audit 2025/26	<p>Income and expenditure and in-year movements for the period ending 31 March 2026</p> <p>This is in addition to obtaining income and expenditure assurance across the disclaimed period.</p>	<p>In 2025/26 we plan to obtain full assurance over all income, expenditure and in year movements for the period ending 31 March 2026.</p>



Building back assurance

Component	Activity	Work planned
Reporting	<p>Reporting the results of the audit</p> <p>We will once again provide a detailed Audit Completion Report providing additional information over the build back work undertaken, the outcome of our work and the progress against the overarching build back journey. This includes the additional work required to issue the disclaimer of opinion, additional review and consultation requirements and additional file documentation requirements.</p>	<p>In 2025/26 we will issue an extended Audit Completion report to the Audit and Governance Committee before the backstop date of 31 January 2027.</p>



Value for money

We are required to consider whether the Council has established proper arrangements to secure economy, efficiency and effectiveness in its use of resources, as set out in the NAO Code of Practice 2024 and the requirements of Auditor Guidance Note 3 ('AGN 03').

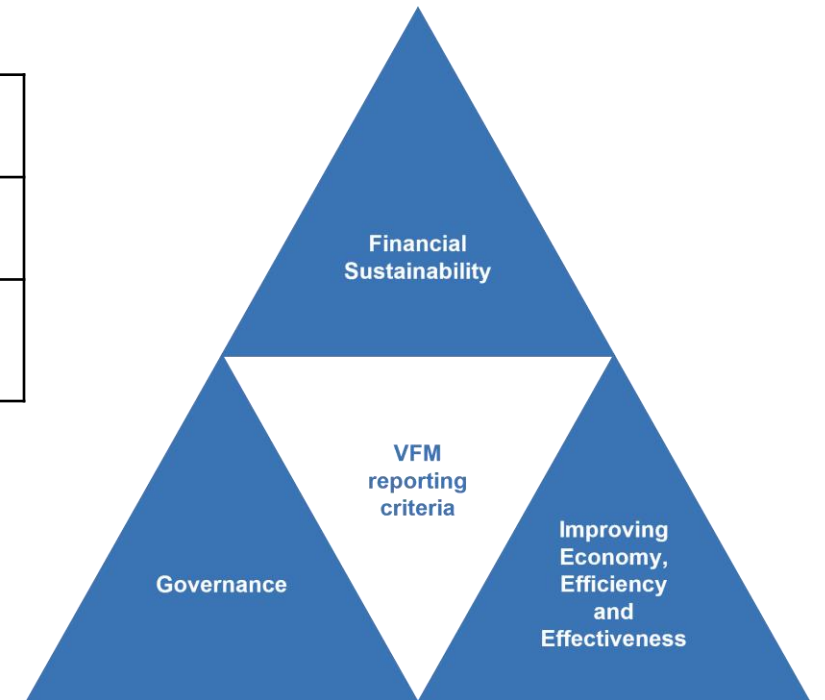
NAO Auditor Guidance Note 03 'Auditors' Work on Value for Money Arrangements' ("AGN 03") requires us to provide an annual commentary on arrangements, which will be published as part of the Auditor's Annual Report. Such commentary will highlight any significant weaknesses in arrangements, along with recommendations for improvements.

When reporting on such arrangements, the Code of Practice requires us to structure our commentary under three specified reporting criteria:

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

As part of the planning process, we are required to perform procedures to identify potential risks of significant weaknesses in the Council's arrangements to secure VFM through the economic, efficient and effective use of its resources.

We are required to re-evaluate this risk assessment during the audit and, where appropriate, update our work to reflect emerging risks or findings that may suggest a significant weakness in arrangements. We may make recommendations following the completion of our work.



Risks of significant weakness

We have carried out an initial risk assessment to identify any risks of potential significant weakness in the three specific areas of proper arrangements using the guidance contained in AGN 03. For 2025/26 the National Audit Office's draft updated VFM guidance (AGN03) highlights that the arrangements bodies put in place to manage local government reorganisation fit within the scope of VFM arrangements work. There is a risk that significant weaknesses may increase where an entity is involved in, or planning for, reorganisation. Our VFM work will therefore be extended in 2025/26 to consider the impact of local government reorganisation on the council's VFM arrangements.

We identified risks of significant weaknesses in the Council's arrangements. These are detailed in the table on the next page along with the further procedures we will perform.



Value for money

Reporting criteria	2024/25 significant weaknesses reported?	2025/26 planning: risk of significant weakness identified?	Risk based procedures include but are not limited to the following:
<p>Financial sustainability How the body plans and manages its resources to ensure it can continue to deliver its services</p>	No	No	Whilst we have not identified, at this stage, any risks of significant weakness, we will consider as part of our review the arrangements in place around the Council's financial planning, including the capacity to achieve recurrent savings. We will also follow up progress against the improvement recommendations raised in 2024/25.
<p>Governance How the body ensures it makes informed decisions and properly manages risk</p>	Yes [See tables on next pages]	Yes [Risk of significant weakness in arrangements remains]	Significant weaknesses were noted in the governance arrangements underpinning the Council's processes for preparing its financial statements. We will follow up progress by the Council in implementing actions in response to these recommendations and mitigating the weaknesses reported.
<p>Improving economy, efficiency and effectiveness How the body uses information about its costs and performance to improve the way it manages and delivers its services</p>	No	No	We have not at this stage identified any risks of significant weakness that require specific audit procedures. We will undertake sufficient work to document our understanding of arrangements as required by the Code. We will also follow up progress against the improvement recommendations raised in 2024/25.



Significant weaknesses and key recommendations 2024/25

The significant weaknesses we identified in the prior year and the key recommendations made are set out below.

Significant weakness identified 2024/25	Criteria	Sub criteria
<p>Statutory financial reporting</p> <p>There are significant weaknesses in the Council’s arrangements for the preparation and publication of financial statements. In 2023/24, the Council did not produce its financial statements in line with the Accounts and Audit regulations and did not include the required notices on its website. The Council has started responding to the statutory recommendations made in April 2025 by the previous auditor in respect of the significant weaknesses but there has, to date, been insufficient time for these to have been developed, actioned and implemented in full.</p>	<p>Governance</p>	<p>How the Council ensures effective processes and systems are in place to support its statutory financial reporting requirements</p>

Key recommendations 2024/25	Progress to date (reported 2024/25)
<p>Finance function workflow review</p> <p>1. Conduct a comprehensive review of the finance function workflow to identify bottlenecks in the flow of information and the completion of key finance tasks. Use the findings to redefine roles and responsibilities within the finance team, ensuring an equitable distribution of workload and preventing any single individual from being overburdened.</p>	<p>A review of the finance structure is currently underway, aimed at reducing dependency on specific individuals and addressing operational bottlenecks. Input has been provided by the Interim CFO (in March), the current CFO, Brian Moldon, and the Interim Group Accountant to inform the process with insights into effective working practices and structures from comparable authorities. The distribution of roles and responsibilities is being clarified within the proposed structure.</p> <p>This work remains in progress and as such the recommendation remains open.</p> <p style="text-align: right;"><i>continued.....</i></p>



Value for money

Key recommendations 2024/25	Progress to date (reported 2024/25)
<p>Quality assurance function review</p> <p>2. Implement a thorough review of the quality assurance process for draft accounts and underlying workpapers. Establish clear timelines for the closedown process, ensuring appropriate segregation of duties between those preparing and those reviewing the draft accounts and workpapers. Monitor adherence to this process and report performance to the Audit and Governance Committee.</p>	<p>The quality assurance process has commenced. A timetable for the 2025/26 closedown process is in place and will be reviewed by the end of January to ensure it remains fit for purpose. Further enhancements to the review process are being considered, including the introduction of formal review checks to ensure appropriate segregation of duties; specifically, that working papers prepared by one individual are independently reviewed by another. Weekly meetings will be held throughout the closedown period to monitor progress and maintain oversight. The 2024/25 financial statements were published on time and in line with the Accounts and Audit (Amendment) Regulations 2024.</p> <p>Work remains in progress and as such the recommendation remains open.</p>
<p>Finance team capacity</p> <p>3. Re-assess roles, responsibilities and resource requirements for financial reporting across the Council, including an assessment of the support required from other functions within the organisation for the financial reporting function to meet its objectives and to restore timely financial reporting in accordance with the requirements of the Accounts and Audit (Amendment) Regulations 2024.</p> <p>The Council will also need to ensure it can restructure the finance team such that there is sufficient capacity to facilitate annual external audit reviews and the building back of assurance over the disclaimed audit years.</p>	<p>Monthly meetings have been established between the Chief Finance Officer, Deputy Chief Finance Officer and the Leadership Team to focus on the Council's financial requirements. Roles within the Finance Team are currently under review as part of a broader restructure. This review aims to distribute workload more evenly across the team and ensure that high-risk areas are appropriately resourced, allowing sufficient capacity to concentrate on key priorities during critical periods.</p> <p>There is progress; however, implementing this recommendation is key if the Council is to continue to produce accounts on time and, moreover, have sufficient capacity to facilitate the annual audit and the additional audit work required to build back assurance and lift the disclaimer by 2028. During 2025 we continued to experience delays in obtaining information to support audit progress.</p> <p>Work remains in progress and as such the recommendation remains open.</p>



Audit team and requirements

Your core audit team

Partner	Manager	Audit senior	Value for money
<p>Paul Grady Paul.Grady@azets.co.uk</p> <p>Paul is the key contact for senior management and has overall responsibility for audit quality and the audit opinion.</p>	<p>Martha Charima Martha.Charima@azets.co.uk</p> <p>Martha is responsible for the overall management of the audit and quality assurance of audit work. She is the key contact for the finance team management.</p>	<p>Owen Jones Owen.Jones@azets.co.uk</p> <p>Owen leads the on and off-site audit visits. He is the key day-to-day contact for the finance team.</p>	<p>Martha Charima Martha.Charima@azets.co.uk</p> <p>Martha will lead on our value for money work. She is responsible for meeting with Officers and Members and reviewing the arrangements for obtaining value for money.</p>

Our requirements

For us to be able to deliver the audit in line with the agreed fee and timetable, we require the following:

- ▶ Draft financial statements to be produced to a good quality by the deadlines you have agreed with us. These should be complete including all notes, the Narrative Report and the Annual Governance Statement;
- ▶ The provision of good quality working papers at the same time as the draft financial statements. These will be discussed with you in advance to ensure clarity over our expectations;
- ▶ The provision of agreed data reports at the start of the audit, fully reconciled to the values in the accounts, to facilitate our selection of samples for testing
- ▶ Ensuring staff are available and on site (as agreed) during the period of the audit;
- ▶ Prompt and sufficient responses to audit queries within 3 days to minimise delays.

The audit process is underpinned by effective project management to ensure we co-ordinate and apply our resources efficiently to meet your deadlines. It is therefore essential that the audit team and the Council's finance team work closely together to achieve this timetable.



Independence, objectivity and other services provided

The Ethical Standards and ISA (UK) 260 require us to give you full and fair disclosure of matters relating to our independence. In accordance with our profession’s ethical requirements and further to our audit plan issued confirming audit arrangements we confirm that there are no further facts or matters that impact on our integrity, objectivity and independence as auditors that we are required or wish to draw to your attention. We consider an objective, reasonable and informed third party would take the same view.

We confirm that Azets Audit Services and the engagement team complied with the FRC’s Ethical Standard. We confirm that all threats to our independence have been properly addressed through appropriate safeguards and that we are independent and able to express an objective opinion on the financial statements. In addition, we have complied with the National Audit Office’s Auditor Guidance Note 01, which sets out supplementary guidance on ethical requirements for auditors of public sector bodies.

In particular:

- ▶ Non-audit services: We provide assurance services as set out below.
- ▶ Contingent fees: No contingent fee arrangements are in place for any services provided
- ▶ Gifts and hospitality: We have not identified any gifts or hospitality provided to, or received from, any member of the Council, senior management or staff
- ▶ Relationships: We have no other relationships with the Council, its directors, senior managers and affiliates, and we are not aware of any former partners or staff being employed, or holding discussions in anticipation of employment, as a director, or in a senior management role covering financial, accounting or control related areas.

Non-audit service fees

Service	2024/25 Fee £	Threats identified and safeguards to mitigate threats to independence
Audit related: Certification of Housing Benefit Assurance Process (HBAP) claim (2025/26)	£28,000 (plus £2,000 for each additional workbook)	<p>Self-interest: Given this is likely to be a recurring fee, we consider a threat present. However, the fee is not significant to Azets Audit Services or East Hertfordshire District Council. The fee is fixed and is not contingent in nature.</p> <p>Self-review: Whilst housing benefit revenue and expenditure streams are within the financial statements, we do not complete the claim form. The focus of our work is solely testing the data in the claim form prepared by the management.</p> <p>Management: As above, the claim form is completed by management and any adjustments or amendments identified to the form during the certification work are discussed and agreed by management prior to submission of the certification report.</p> <p>We therefore consider these risks sufficiently mitigated.</p>



Our estimated fees for the year ending 31 March 2026 are shown to the right.

PSAA set a fee scale for each audit that assumes the audited body has sound governance arrangements in place, has been operating effectively throughout the year, prepares comprehensive and accurate draft accounts and meets the agreed timetable for audit. This fee scale is reviewed by PSAA each year and adjusted, if necessary, based on auditors' experience, new requirements, or significant changes to the audited body. The fee may be varied above the fee scale to reflect the circumstances and local risks within the audited body.

This fee is estimated based on our understanding at this point in time and may be subject to change. Our planned fee is on the basis that our expectations set out on pages 4 and 32 are met and the group structure is unchanged.

It is our policy to bill for overruns or scope extensions e.g., where we have incurred delays, deliverables have been late or of poor quality, where key personnel have not been available, or we have been asked to do extra work.

The PSAA contract stipulates that fees must be raised upon completion of specific milestones:

- ▶ Issue of prior year's draft Auditor's Annual Report or Opinion issued, but not before 1 December
- ▶ Issues of the Draft Audit Plan
- ▶ Completion of 50% of planned hours
- ▶ Completion of 75% of planned hours

Audit fees	Proposed fee £
Scale fee: for the audit of the Council (and Group's) financial statements	185,917
Value for money: additional work required to meet the NAO's Code requirements in respect of the arrangements for local government reorganisation	TBC
Building back assurance: Build back additional fees; work on the LARRIG 06 risk assessment, MEGA MIRS, PPE build back, recovery of other balances e.g. long-term debtors, work on prior year I&E for a high-risk audit	TBC
Enhanced disclaimer reporting: Additional work required to issue the disclaimer of opinion. This includes the extended reporting contained in this report and the audit plan, additional review and consultation requirements and additional file documentation requirements	TBC
Total audit fees	TBC

MHCLG has announced additional funding to Councils to support the cost of building back assurance. This is subject to draft accounts being published by 30 June 2026 and audit fees being paid.

Any variation to the scale fee will be determined by PSAA in accordance with their procedures as set out here: [Fee Variations Overview - PSAA](#).

Our fee estimate also assumes that you will engage suitably competent experts to assist management in the following areas:

- ▶ Actuarial valuation of the defined benefit pension liability
- ▶ RICS compliant valuation of land and buildings and investment property





Agenda Item 9

Annual Assurance Statement and Internal Audit Annual Report 2025/26



East Herts Council - Annual Assurance Statement and Internal Audit Annual Report 2025/26

Audit & Governance Committee 30 June 2026

Recommendations

Members are recommended to:

- 1) Note the Annual Assurance Statement and Internal Audit Annual Report 2025/26
- 2) Note the results of the self-assessment required by the Global Internal Audit Standards (GIAS) and the Quality Assurance and Improvement Programme (QAIP)
- 3) Approve the SIAS Audit Charter 2026/27
- 4) Seek management assurance that the scope and resources for internal audit were not subject to inappropriate limitations in 2025/26

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1. Purpose and Background
 - 1.1 Purpose
 - 1.2 Background

2. Annual Assurance Statement for 2025/26
 - 2.1 Assurance Opinion on Internal Control
 - 2.2 Context
 - 2.3 Control Environment
 - 2.4 Review of Effectiveness - compliance with the GIAS and QAIP
 - 2.12 Confirmation of independence of internal audit and assurance on limitations
 - 2.13 Assurance Opinion on Corporate Governance and Risk Management

3. Overview of Internal Audit Activity at the Council in 2025/26

4. Performance of the Internal Audit Service in 2025/26
 - 4.1 Performance Indicators
 - 4.2 Service Developments

5. Audit Charter 2026/27

Appendices

- A Final position against the Council's 2025/26 Audit Plan

- B Definitions of Assurance Recommendation Priority Levels 2025/26

- C Action Plan Arising from the Global Internal Audit Standards Self-Assessment as of May 2026

- D Internal Audit Charter 2026/27

1. Purpose and Background

Purpose of Report

1.1 This report:

- a) Details the Shared Internal Audit Service's (SIAS) overall opinion on the adequacy and effectiveness of East Herts Council's (the Council) framework of governance, risk management and control. Reference is made to significant matters and key themes.
- b) Shows the outcomes of the self-assessment against the Global Internal Audit Standards (GIAS – UK Public Sector) incorporating the requirements of the Quality Assurance and Improvement Programme (QAIP).
- c) Summarises the internal audit work that informs this opinion.
- d) Shows SIAS performance in respect of delivering the Council's internal audit plan.
- e) Presents the 2026/27 Audit Charter for approval.

Background

- 1.2 The purpose of internal audit is to strengthen the Council's ability to create, protect, and sustain value by providing Members and management with independent, risk-based, and objective assurance, advice, insight, and foresight.
- 1.3 A key duty of the Chief Audit Executive (CAE - the Council's Client Audit Manager) is to provide an annual internal audit opinion, concluding on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control. This opinion informs the conclusions of the Council's Annual Governance Statement.
- 1.4 The assurance opinion in this report is based on the 2025/26 internal audit work which was planned and amended to give sufficient assurance on the Council's management of its key risks. Also considered is any relevant work undertaken in 2026/27 before the Audit & Governance Committee report deadline.
- 1.5 The audit plan remained dynamic during the year, with plan changes made to reflect the changing risks of the Council, or pace of transformation and change that would impact on the value of audits originally included in the plan. Any plan changes during 2025/26 were communicated to, and approved by, the Audit & Governance Committee within the SIAS progress reports.
- 1.6 The International Professional Practices Framework (IPPF) organises the authoritative body of knowledge for the professional practice of internal auditing. The IPPF includes Global Internal Audit Standards (GIAS), Topical Requirements (designed to enhance the consistency and quality of internal audit services related to specific audit subjects) and Global

Annual Assurance Statement and Internal Audit Annual Report 2025/26

Guidance. The Public Sector Internal Audit Standards, which encompassed the mandatory elements of the IPPF, have been replaced by the Application Note Global Internal Audit Standards in the UK Public Sector.

- 1.7 Taken together the GIAS and the Application Note formed the basis of UK public sector internal audit, effective from 1 April 2025. The Note states that a professional, independent, and objective internal audit service is one of the key elements of good governance, as recognised throughout the UK public sector.
- 1.8 When the Global Institute of Internal Auditors published the GIAS, it recognised that in the public sector, governance structures, other laws or regulations may impact on how the essential conditions can be applied. This is the case in UK local government. The GIAS itself provides for the CAE to reach agreement with those in governance roles and senior management on alternative conditions that still allow for conformance with the GIAS. The CIPFA Code of Practice for the Governance of Internal Audit in UK Local Government provides the route to satisfying the essential conditions in the GIAS in the UK public sector, tailored for UK local government. The Application Note and GIAS in the UK public sector directs the local government sector bodies to apply this Code.
- 1.9 The GIAS (UK Public Sector) sets out matters that SIAS must report to the audit committee. SIAS conform with these requirements through inclusion in the Annual Assurance Statement and Internal Audit Annual Report 2025/26. The summarised requirements that SIAS must adhere to are set out below:

Standard	Description
Domain III 6.1	<p>Internal Audit Mandate</p> <p>The Chief Audit Executive (CAE) must provide the board and senior management with the information necessary to establish the internal audit mandate. The internal audit charter must include the legal requirements of the mandate.</p>
Domain III 6.2	<p>Internal Audit Charter</p> <p>The CAE must develop and maintain an internal audit charter that specifies, at a minimum, the internal audit function's:</p> <ul style="list-style-type: none"> • Purpose of Internal Auditing. • Commitment to adhering to the Global Internal Audit Standards. • Mandate, including scope and types of services to be provided, and the board's responsibilities and expectations regarding management's support of the internal audit function. • Organisational position and reporting relationships.
Domain III 7.1	<p>Organisational Independence</p> <p>The CAE must confirm to the board the organisational independence of the internal audit function at least annually. This</p>

Annual Assurance Statement and Internal Audit Annual Report 2025/26

	includes communicating incidents where independence may have been impaired, and the actions or safeguards employed to address the impairment.
Domain III 7.2	<p>CAE Qualifications</p> <p>The CAE must maintain and enhance the qualifications and competencies necessary to fulfil the roles and responsibilities expected by the board.</p>
Domain III 8.1	<p>Board Interaction</p> <p>The CAE must provide the board with the information needed to conduct its oversight responsibilities. The CAE must report to the board and senior management:</p> <ul style="list-style-type: none"> • Changes potentially affecting the mandate or charter • Potential impairments to independence. • Results of internal audit services, including conclusions, themes, assurance, advice, insights, and monitoring results. • Results from the quality assurance and improvement program. <p>The CIPFA Code goes further, indicating that the audit committee must review the CAE’s annual report, including the annual conclusion on governance, risk management and control, and internal audit’s performance against its objectives.</p>
Domain III 8.3	<p>Quality</p> <p>The CAE must develop, implement, and maintain a quality assurance and improvement program (QAIP) that covers all aspects of the internal audit function. The program includes two types of assessments:</p> <ul style="list-style-type: none"> • External assessments. • Internal assessments. <p>At least annually, the CAE must communicate the results of the internal quality assessment to the board and senior management. The results of the external quality assessments must be reported when completed. In both cases, such communications include:</p> <ul style="list-style-type: none"> • The internal audit function’s conformance with the Standards and achievement of performance objectives. • If applicable, compliance with laws and/or regulations relevant to internal auditing. • If applicable, plans to address the internal audit function’s deficiencies and opportunities for improvement.
Domain III 8.4	<p>External Quality Assessment</p> <p>The CAE must develop a plan for an external quality assessment and discuss the plan with the board. The external assessment must be performed at least once every five years by a qualified, independent assessor or assessment team.</p>
Domain IV 9.3	<p>Methodologies</p> <p>The CAE must establish methodologies to guide the internal audit function in a systemic and disciplined manner to implement the internal audit strategy, develop the internal audit plan, and conform</p>

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	with the Standards.
Domain IV 11.3	<p>Communicating Results</p> <p>The CAE must communicate the results of internal audit services to the board and senior management periodically and for each engagement as appropriate. The CAE must understand the expectations of the board and senior management regarding the nature and timing of communications. The results of internal audit services can include:</p> <ul style="list-style-type: none"> • Engagement conclusions. • Themes such as effective practices or root causes. • Conclusions at the level of the business unit or organisation.
Domain IV 12.1	<p>Internal Quality Assessment</p> <p>The CAE must develop and conduct internal assessments of the internal audit function’s conformance with the Global Internal Audit Standards and progress toward performance objectives. The CAE must establish a methodology for internal assessments that includes:</p> <ul style="list-style-type: none"> • Ongoing monitoring of the internal audit function’s conformance with the Standards and progress toward performance objectives. • Periodic self-assessments or assessments by other persons within the organization with sufficient knowledge of internal audit practices to evaluate conformance with the Standards. • Communication with the board and senior management about the results of internal assessments.
Domain IV 15.2	<p>Confirming the Implementation of Recommendations or Action Plans</p> <p>Internal auditors must confirm that management has implemented internal auditors recommendations or managements action plans following an established methodology, which includes:</p> <ul style="list-style-type: none"> • Inquiring about progress on the implementation. • Performing follow-up assessments using a risk-based approach. • Updating the status of management’s actions in a tracking system.

1.10 Section 2 of this report details how SIAS complies with these requirements.

1.11 SIAS is grateful for the co-operation and support it has received from client officers during 2025/26.

2. Annual Assurance Statement 2025/26

Assurance opinion on internal control

- 2.1 Based on the internal audit work undertaken at the Council in 2025/26, SIAS can provide the following opinion on the adequacy and effectiveness of the Council’s control environment.

Overall Assurance Opinion	Element	Opinion	Definition of Opinion
Reasonable Assurance	Design of Control	Reasonable Assurance	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
	Operation of Control	Reasonable Assurance	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.

We have provided further context on our assurance opinion, including the internal control design and operation elements, at paragraphs 3.1 to 3.5 below as part of our Overview of Internal Audit Activity at the Council in 2025/26.

Context

Scope of responsibility

- 2.2 Council managers are responsible for ensuring Council business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently, and effectively. They are also responsible for ensuring internal controls are robust and risk management arrangements are appropriate.

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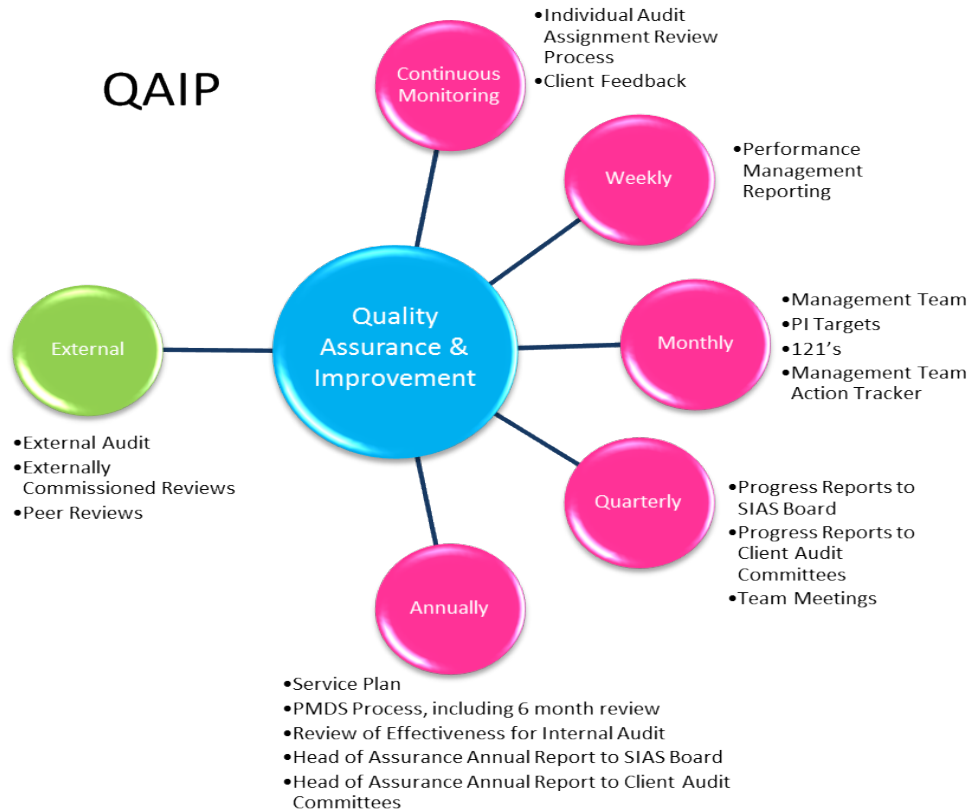
Control environment

- 2.3 The control environment comprises three key areas: governance, risk management, and internal control. Together these aim to manage risk to an acceptable level, but it is accepted that it is not possible to eliminate it. A robust control environment helps ensure that the Council's policies, priorities, and objectives are achieved.

Review of effectiveness

- 2.4 The CAE must confirm annually that the internal audit function is suitably qualified to carry out the work that informs the assurance opinion. This includes that the CAE maintains and enhance their own qualifications and competences. SIAS can confirm that the service is suitably resourced and qualified to undertake its work, including the qualifications and competences of the CAE.
- 2.5 As part of our Quality Assurance and Improvement Programme, an internal quality self-assessment was conducted to review our conformance with the Global Internal Audit Standards (GIAS).
- 2.6 The GIAS also require that the SIAS be subject to an external quality assessment (EQA) at least once every five years. This should be conducted by a qualified, independent assessor or assessment team from outside the organisation. This assessment was last completed in June 2021, with the results reported to the Audit Committee in November 2021. The next EQA is due in 2026/27, and SIAS have appointed the Chartered Institute of Internal Auditors as the organisation to perform the assessment in quarter 4 of 2026/27.
- 2.7 Based on the results of the 2025/26 GIAS self-assessment, the CAE has concluded that SIAS 'generally conforms' with the GIAS (UK Public Sector).
- 2.8 The self-assessment identified seven areas where, whilst we assessed our current processes followed the principles of the GIAS, improvements could be made to the documentary evidence available to support independent verification of compliance.
- 2.9 A summary of the outcomes of the GIAS self-assessment is detailed in Appendix C. There are no significant deviations from these Standards, or the Global Internal Audit Standards that were in place during 2025/26, which warrant inclusion in the Council's Annual Governance Statement.
- 2.10 The SIAS QAIP includes both internal and external monitoring and reporting to assess the efficiency and effectiveness of internal audit activity and identify opportunities for improvement. The diagram below details the methods used to monitor and report on these. Detailed information outlining activity in each area is contained in the SIAS Audit Manual.

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2.11 The CAE confirms that during 2025/26 SIAS operated according to its QAIP with evidence available within the service to support the achievement of each QAIP element.

2.12 The CAE confirms that during the year:

- No matters threatened SIAS's independence; and
- SIAS was not subject to any inappropriate scope or resource limitations.

2.13 SIAS has concluded that the corporate governance and risk management frameworks substantially comply with the CIPFA/SOLACE best practice guidance on corporate governance. This conclusion is based on the work undertaken by the Council and reported in its Annual Governance Statement for 2025/26, and reviews of Risk Management and Corporate Governance carried out by SIAS during the year.

Client Audit Manager
May 2026

3. Overview of Internal Audit Activity at the Council in 2025/26

- 3.1 This section summarises work undertaken at the Council by SIAS in 2025/26. It highlights any significant internal control matters and opportunities for improvement.
- 3.2 Appendix A shows the final position against the agreed revised audit plan, assurance levels and the number of recommendations made. A summary of assurance levels and recommendation priorities is shown in the tables below (2024/25 data in brackets).

Assurance Level	Number of reports 2025/26 (2024/25 data in brackets)	Percentage of reports 2025/26 (2024/25 data in brackets)
Substantial	9 (13)	39% (57%)
Reasonable	7 (5)	31% (21%)
Limited	2 (1)	9% (4%)
No	0 (0)	0% (0%)
Not Assessed	5 (2)	21% (9%)
Not Yet Complete	0 (2)	0% (9%)
Total	23 (23)	100% (100%)

Recommendation Priority Level	Number of recommendations 2025/26 (2024/25 data in brackets)	Percentage of recommendations made 2025/26 (2024/25 data in brackets)
Critical	0 (0)	0% (0%)
High	2 (1)	3% (3%)
Medium	26 (9)	39% (26%)
Low	39 (24)	58% (71%)
Total	67 (34)	100% (100%)

- 3.3 **The Reasonable assurance opinion overall on the Council's systems** (Reasonable assurance provided in 2024/25) has been concluded from the 18 audits undertaken during 2025/26 where an assurance opinion was provided. In respect of these assurance reviews, 9 received a Substantial Assurance opinion, 7 received Reasonable Assurance opinions and 2 received a Limited assurance opinion. The 2 Limited assurance reviews were Old River Lane and Homelessness. In line with the agreed reporting protocol, copies of audit reports were shared with members of the Council's Audit & Governance Committee.

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Audit Recommendations

- 3.4 Through the recommendations follow up process for 2025/26, the CAE can confirm that two high priority recommendations remain outstanding at the time of writing this report. These originate from the audit of Homelessness, with the recommendations due for implementation in July and September respectively.

Communicating Results

- 3.5 Throughout the year the CAE communicated the results of internal audit services to the Audit & Governance Committee. The results included the progress of audit service against the agreed plan, performance against targets and the engagement conclusions.

Root Cause Analysis

- 3.6 Within the Global Internal Audit Standards, standards 11.3 (communicating results) and standard 14.3 (evaluation of findings), reference has been made to working with management to identify and report root causes of audit findings and identify organisational themes where these may be present. This is on the basis that without root causes being identified there is a high likelihood that audit recommendations or management actions will be ineffective in addressing the issues identified.
- 3.7 During 2025/26, SIAS incorporated root cause identification into our methodology and these are now routinely reported where it is possible to identify these. Whilst we meet the standards in relation to including root causes within our individual audit reports, we have not extended to organisational theme reporting at this stage.
- 3.8 In relation to the latter point, during our first year of embedding root cause analysis we have established that further work is required to support identification of wider organisational issues. This includes refinement of the categorisation of root causes to allow accurate analysis, and consideration of how the overall analysis can consider the relative priority and risk of issues at an organisational level to arrive at meaningful conclusions.
- 3.9 Further work will be undertaken during 2026/27 to improve the processes for establishing organisational themes, which will then be analysed and reported within future internal audit annual assurance and opinion statements.

4. Performance of the Internal Audit Service in 2025/26

Performance indicators

4.1 The table below compares SIAS performance at the Council against the 2025/26 targets set by the SIAS Board.

Indicator	Target 2025/26	Actual to 31 March 2026	Notes
1. Planned Days – percentage of actual billable days against planned chargeable days completed (excludes unused contingency)	95%	95%	227 days delivered out of the 240 days planned
2. Planned Projects – percentage of actual completed projects to draft report stage against planned completed projects by 31 st March 2025	90%	91%	21 projects to draft or final report from the 23 projects planned
3. Planned Projects – percentage of actual completed projects to final report stage against planned completed projects by the production of the Annual Report	100%	100%	23 projects completed from the 23 projects planned (see Appendix A)
4. Client Satisfaction – percentage of client satisfaction questionnaires returned at ‘satisfactory’ level	100%	100%	Based on 4 questionnaires received in the year
5. Number of High and Critical Priority Audit Recommendations – agreed as a percentage	95%	100%	2 High priority recommendations made and agreed
6. Annual Plan – prepared in time to present to the March meeting of Audit Committee. If there is no March meeting, then the Plan should be prepared for the first meeting of the financial year.	Achieved	Achieved	Presented in February 2026
7. Chief Audit Executive’s Annual Report – presented at the first Audit Committee meeting of the financial year.	Deadline met	Met	The 2024/25 Annual Report was presented to the May 2025 Audit Committee

Service Developments

- 4.2 During 2025/26 the main service and development activities for SIAS included:
- a) **Recruitment** – Despite operating in a challenging recruitment market, SIAS have achieved some success in filling our vacancies. Two Trainee Auditors were recruited, one in June 2025 and one in September 2025.
 - b) **Training & Development** – As a service, we continue to adopt our ‘grow your own strategy’ to provide the future talent for the Service and improve succession planning, in what remains a challenging recruitment market. We continue to support our team in progressing their professional qualifications, with nine members of the team actively studying towards the Institute of Internal Auditors Certified Internal Auditor qualification and one team member progressing a CIPFA accountancy qualification. In addition to the professional training above, the SIAS management team continued to deliver a programme of lite bite training sessions linked to modern professional practice.
 - c) **Commercial Strategy** – In 2023/24 the SIAS Partnership Board agreed to plans for growing the service through new business, this was driven by the need to minimise inflationary pressures for existing partners. During 2025/26 SIAS continued to successfully deliver agreed external business targets, with more than 350 audit days provided to two audit partnerships (Eastern Internal Audit Services and Dartford and Sevenoaks) during 2025/26. A key principle within the SIAS strategy is to ensure that growth is undertaken on an incremental basis to protect both the capacity and capabilities of SIAS to deliver our core assurance services to SIAS partners. This was achieved during 2025/26 with key performance indicators for SIAS partners being met. In respect of governance, clear delegation structures continue to be in place in relation to decision making for assessing new opportunities and a suite of key performance indicators have been agreed which are reported to the SIAS Partnership Board on a quarterly basis to support oversight and challenge of delivery and rates of return.
 - d) **Audit Practice** – as part of our continued work to adopt best practice from across the profession and to implement the new GIAS, our audit plans for 2025/26 included time allocations for work to update key documents or processes to align with the new GIAS. We also progressed other development activities to further enhance our approach, such as the development of a new audit report template and the introduction of root cause analysis into the audit process.

5. Audit Charter 2026/27

- 5.1 The GIAS require a local authority to formally adopt an Audit Charter which covers the authority and responsibility for an internal audit function.
- 5.2 The Internal Audit Charter sets out the framework within which it discharges its internal audit responsibilities to those charged with governance in the partner councils. It details the permanent arrangements for internal audit and key governance roles and responsibilities to ensure the effectiveness of internal audit provision.
- 5.3 The Internal Audit Charter is reviewed annually, with the next review being in May 2027.

APPENDIX A – FINAL POSITION AGAINST THE COUNCIL’S 2025/26 INTERNAL AUDIT PLAN

East Herts Council Internal Audit Plan – 2025/26

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS **				AUDIT PLAN DAYS	STATUS/COMMENT
		C	H	M	LA		
Key Financial Systems							
Council Tax	Substantial	0	0	0	2	6	Final Report Issued *
Business Rates	Substantial	0	0	0	1	7	Final Report Issued
Housing Benefits	Substantial	0	0	0	1	6	Final Report Issued
Accounts Payable	Substantial	0	0	0	2	6	Final Report Issued
Accounts Receivable	Reasonable	0	0	2	0	6	Final Report Issued *
Insurance	Substantial	0	0	0	1	7	Final Report Issued
Payroll	Substantial	0	0	0	0	10	Final Report Issued
Cash & Banking	Substantial	0	0	0	5	12	Final Report Issued
Treasury Management	Substantial	0	0	0	2	6	Final Report Issued
Operational Areas							
BEAM	Not Assessed	0	0	0	0	15	Complete
Follow Up Audit	Not Assessed	0	0	0	0	5	Complete
Parks & Open Spaces	Substantial	0	0	0	2	11	Final Report Issued

APPENDIX A – FINAL POSITION AGAINST THE COUNCIL’S 2025/26 INTERNAL AUDIT PLAN

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS **				AUDIT PLAN DAYS	STATUS/COMMENT
		C	H	M	LA		
Waste Management	Reasonable	0	0	3	5	10	Final Report Issued
Old River Lane	Limited	0	0	5	0	10	Final Report Issued
Homelessness	Limited	0	2	3	0	9	Final Report Issued
Corporate Services/Themes							
Business Support	Not Assessed	0	0	0	2	10	Final Report Issued
Equality, Diversity & Inclusion	Not Assessed	0	0	0	9	12.5	Final Report Issued
Procurement Act	Reasonable	0	0	2	1	10	Final Report Issued
Risk Management	Reasonable	0	0	3	1	7	Final Report Issued
Social Media	Reasonable	0	0	2	4	11	Final Report Issued
Elections	Not Assessed	0	0	0	1	5	Final Report Issued
IT Audits							
Cyber Security	Reasonable	0	0	4	0	6	Final Report Issued *
IT Hardware Inventory (2024/25 c/fwd)	Reasonable	0	0	2	0	1	Final Report Issued
Contingency							
Unused Contingency	-	-	-	-	-	10.5	-

APPENDIX A – FINAL POSITION AGAINST THE COUNCIL’S 2025/26 INTERNAL AUDIT PLAN

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS **				AUDIT PLAN DAYS	STATUS/COMMENT
		C	H	M	LA		
Strategic Support							
2026/27 Audit Planning	-	-	-	-	-	6	Complete
Audit & Governance Committee	-	-	-	-	-	12	Complete
Chief Audit Executive Annual Opinion	-	-	-	-	-	3	Complete
Plan & Progress Monitoring	-	-	-	-	-	12	Complete
Client Liaison, Adhoc Advice	-	-	-	-	-	8	Complete
SIAS Development	-	-	-	-	-	10	Complete
SBC TOTAL		0	2	26	39	250	

* At Draft Report stage 31 March 2026, Final Report issued after year end.

** Key to Recommendation Priority Levels: C = Critical priority recommendations; H = High priority recommendations; M = Medium priority recommendations; LA = Low priority recommendations or Advisories.

APPENDIX B – DEFINITIONS OF ASSURANCE AND RECOMMENDATION PRIORITY LEVELS 2025/26

Audit Opinions	
Assurance Level	Definition
Assurance Reviews	
Substantial	A sound system of governance, risk management and control exist, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Limited	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
No	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.
Not Assessed	This opinion is used in relation to consultancy or embedded assurance activities, where the nature of the work is to provide support and advice to management and is not of a sufficient depth to provide an opinion on the adequacy of governance or internal control arrangements. Recommendations will however be made where required to support system or process improvements.
Grant / Funding Certification Reviews	
Unqualified	No material matters have been identified in relation the eligibility, accounting and expenditure associated with the funding received that would cause SIAS to believe that the related funding conditions have not been met.
Qualified	Except for the matters identified within the audit report, the eligibility, accounting and expenditure associated with the funding received meets the requirements of the funding conditions.
Disclaimer Opinion	Based on the limitations indicated within the report, SIAS are unable to provide an opinion in relation to the Council's compliance with the eligibility, accounting and expenditure requirements contained within the funding conditions.
Adverse Opinion	Based on the significance of the matters included within the report, the Council have not complied with the funding conditions associated with the funding received.
Recommendation Priority Levels	
Priority Level	Definition
Corporate	Critical Audit findings which, in the present state, represent a serious risk to the organisation as a whole, i.e. reputation, financial resources and / or compliance with regulations. Management action to implement the appropriate controls is required immediately.
Service	High Audit findings indicate a serious weakness or breakdown in control environment, which, if untreated by management intervention, is highly likely to put achievement of core service objectives at risk. Remedial action is required urgently.
	Medium Audit findings which, if not treated by appropriate management action, are likely to put achievement of some of the core service objectives at risk. Remedial action is required in a timely manner.
	Low Audit findings indicate opportunities to implement good or best practice, which, if adopted, will enhance the control environment. The appropriate solution should be implemented as soon as is practically possible.

APPENDIX C – POSITION AGAINST GLOBAL INTERNAL AUDIT STANDARDS AT MAY 2026 – ACTION PLAN

During 2025/26 all areas apart from those identified below were conforming.

Domain.	Standard.	Requirement (Summary or relevant extract).	Self-Assessment Outcome.	Commentary.	Action Proposed.	Target Date.
II.	Principle 2 – Maintain Objectivity.	If objectivity is impaired in fact or appearance, the details of the impairment must be disclosed promptly to the appropriate parties.	Partial Conformance - SIAS does not currently formally record any impairments that may exist for audits being conducted.	Whilst the SIAS Audit Working Paper (AWP) includes evaluations related to conflicts of interest (audit or audit supervisor), this has not been extended to record any potential impairments that may exist in relation to the delivery of the audit and how these have been mitigated.	The SIAS AWP will be updated to include a specific statement on any impairments that may exist in relation to the audit being progressed and how these have been managed.	End of June 2026.
IV.	Standard 11.3 - Communicating Results.	The findings and conclusions of multiple engagements, when viewed holistically, may reveal patterns or trends, such as root causes. When the CAE identifies themes related to the organisation's governance, risk management, and control processes, the themes must be communicated timely, along with insights, advice, and/or conclusions, to the board and senior management.	Partial Conformance – root cause analysis has been embedded into audit methodologies and reporting but is currently limited to individual assignment level.	<p>SIAS introduced root cause analysis into the internal audit methodology at the start of 2025/26, with root causes now established for all audit findings where possible and these detailed within engagement reports.</p> <p>Whilst the intention is to use this information to provide insight on common organisational themes, we have identified the need to refine the current root cause definitions and systems to evaluate the relative risks associated with individual issues to allow any wider organisational analysis to be accurate and meaningful.</p>	Having worked with the current definitions for a year, SIAS will now review and refine the current categorisation of root causes and create appropriate systems to support analysis at a global level. In respect of the latter, we are keen to ensure that wider organisation analysis sufficiently recognises the differing levels of risk for issues identified, as opposed to just a numerical representation that may provide mis-leading results.	End of September 2026.
V.	Principle 13 Plan	UK Public Sector Application note - Auditors must also be aware of	Partial Conformance –	Whilst Auditors and Client Audit Managers will work together during the planning and	A formal methodology to demonstrate how SIAS	End of September

APPENDIX C – POSITION AGAINST GLOBAL INTERNAL AUDIT STANDARDS AT MAY 2026 – ACTION PLAN

Domain.	Standard.	Requirement (Summary or relevant extract).	Self-Assessment Outcome.	Commentary.	Action Proposed.	Target Date.
	Engagements Effectively.	the importance of value for money, alongside other key considerations, when determining appropriate evaluation criteria under GIAS 13.4 (Evaluation Criteria).	but area for further development.	progression of audits to consider value for money, the current approach is not formally documented as a methodology. This therefore reduces transparency in the approach followed when determining evaluation criteria and coverage.	consider value for money within relevant audits will be created for inclusion in the SIAS Audit Manual. An additional section will also be added to the Audit Checklist with the template SIAS Audit Working Paper to indicate any specific value for money considerations relevant to the audit.	2026.
II.	Principle 5 – Maintain Confidentiality.	Internal auditors must understand and abide by the laws, regulations, policies, and procedures related to confidentiality, information privacy, and information security that apply to the organisation and internal audit function.	General Conformance – a more formalised system for managing systems access to client systems would improve evidence of compliance.	In a limited number of instances Auditors may be provided with access to key information systems, or client networks (outside of SBC) where this may allow an audit to be undertaken more efficiently or to protect objectivity and independence of testing. Whilst a request to remove system access will be submitted at the end of the audit assignment, systems could be improved through the introduction of a control record to allow monitoring that this has happened in a timely manner.	SIAS to create a formal log of all access requests granted to client systems, the member of staff holding the access and the date such access has been ended. This will be periodically monitored by the CAE to ensure access is end-dated promptly upon completion of related audits.	End of July 2026.
II.	Principle 3 – Demonstrate Competency.	Internal auditors must possess or obtain the competencies to perform their responsibilities	General Conformance – reviews of audit	A key element of the SIAS strategy is to follow a grow your own strategy, therefore developing staff is a fundamental part of	As part of future annual performance and development meetings, team	By end of September 2026 and

APPENDIX C – POSITION AGAINST GLOBAL INTERNAL AUDIT STANDARDS AT MAY 2026 – ACTION PLAN

Main.	Standard.	Requirement (Summary or relevant extract).	Self-Assessment Outcome.	Commentary.	Action Proposed.	Target Date.
		successfully. The required competencies include the knowledge, skills, and abilities suitable for one's job position and responsibilities commensurate with their level of experience.	competencies are currently completed as part of development discussions and plans, as opposed to a formal assessment.	this objective. Whilst line managers work with each team member to review and develop their skills and knowledge, including through development plans, this is not currently supported by a specific periodic skills and competencies analysis.	members will be asked to self-assess their knowledge, skills and competencies against an evaluation framework (using matrices from professional bodies) to support identification of areas for development or training needs.	annually in March from 2028.
II to V.	Various	SIAS to maintain an Audit Manual that provides requirements and guidance to staff on the internal audit service and methodologies related to delivering assurance work.	General Conformance – but further adjustments are required to add further detail to some elements of the manual.	The GIAS reference key requirements in relation to the structure, approach and documentation of the audit function and process. Whilst we are satisfied that the service has an audit manual which provides a clear structure for staff, we have identified areas where further detail could be provided to further explain how SIAS meets some elements of the GIAS or Public Sector Application notes in practice. This will provide improved clarity to our junior staff who have limited involvement in these areas based on their role and improve business continuity in times of key staff absence.	The SIAS manual is currently being reviewed, with this due to be completed during quarter two.	End of August 2026.
V.	Standard 15.1 Final Engagement Communication	If the engagement is not conducted in conformance with the Standards, the final engagement communication	General Conformance – but an opportunity exists	No instances have been encountered to date where we have been unable to conform with the standards in relation to the delivery of specific audit engagements.	The SIAS report template will be updated to include a specific statement on whether the audit was conducted in	End of July 2026.

APPENDIX C – POSITION AGAINST GLOBAL INTERNAL AUDIT STANDARDS AT MAY 2026 – ACTION PLAN

Domain.	Standard.	Requirement (Summary or relevant extract).	Self-Assessment Outcome.	Commentary.	Action Proposed.	Target Date.
		must disclose the following details about the non-conformance: <ul style="list-style-type: none"> • Standard(s) with which conformance was not achieved. • Reason(s) for non-conformance. • Impact of nonconformance on the engagement findings and conclusions. 	to include a standing statement within audit reports to confirm that standards have been followed.	In the event of any such instances occurring our resulting audit report would include required statements. However, consideration could be given to introducing a dedicated section within our report template to specifically state that audits conformed with the GIAS, or specific reasons and potential impacts where this was not the case. This would further strengthen consistency, visibility, and alignment with the Standard’s disclosure requirements.	line with the GIAS, or any areas of non-conformance and related impacts in the exceptional instances where this may arise.	



SIAS Internal Audit Charter 2026/2027

1. Introduction and Purpose

- 1.1. Internal auditing is an independent and objective assurance and consulting activity. It is guided by a philosophy of adding value to the operations of an organisation. It assists a council in achieving its objectives and ultimately provides assurance to the public by systematically evaluating and improving the effectiveness and efficiency of risk management, control, and governance processes.
- 1.2. The purpose of the Shared Internal Audit Service (SIAS) is to provide independent, objective assurance and consulting services designed to add value and improve client operations. The mission of internal audit is to enhance and protect organisational value by providing risk-based and objective assurance, advice, and insight. SIAS helps clients accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.

2. Statutory Basis of Internal Audit

- 2.1. Local government is statutorily required to have an internal audit function. The Accounts and Audit Regulations 2015 require that 'a relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance'.
- 2.2. In addition, a council's Chief Finance Officer has a statutory duty under Section 151 of the Local Government Act 1972 to establish a clear framework for the proper administration of the authority's financial affairs. To fulfil this requirement, the S151 Officer relies, amongst other sources, upon the work of internal audit.
- 2.3. The above provides the mandate for the provision of an Internal Audit function within each SIAS partner in accordance with the Global Internal Audit Standards (GIAS).

3. Role

- 3.1. SIAS internal audit activity is overseen by East Herts Council's Audit & Governance Committee. It is charged with fulfilling audit committee responsibilities and is herewith referred to as the Audit Committee. As part of its oversight role, the Audit Committee is responsible for defining the responsibilities of SIAS via this Charter.
- 3.2. SIAS may undertake additional consultancy activity requested by management. The Chief Audit Executive (the Council's Client Audit Manager) will determine such activity on a case-by-case basis, assessing the skills and resources available.

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Significant additional consultancy activity not already included in the Internal Audit Plan will only be accepted and carried out following consultation with the Audit Committee.

4. Professionalism

- 4.1. Internal Audit operates in accordance with the GIAS and supports the Authority in upholding high standards of governance, including the Seven Principles of Public Life. The GIAS sets out the fundamental requirements for the professional practice of internal auditing and include the Purpose of Internal Auditing, Ethics & Professionalism, Governing the Internal Audit Function, Managing the Internal Audit Function and Performing Internal Audit Services.
- 4.2. SIAS also recognises the Mission of Internal Audit as identified within the IPPF, 'To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight' and the Core Principles for the Professional Practice of Internal Auditing, which demonstrate an effective internal audit function, achieving internal audit's mission.
- 4.3. SIAS operations are guided by its operating procedures manual as well as applicable, Chartered Institute of Internal Auditors (CIIA) and Chartered Institute of Public Finance and Accountancy (CIPFA) Position Papers, Practice Advisories and Guides, and relevant council policies and procedures, including compliance with the Bribery Act 2010.
- 4.4. Should non-conformance with the GIAS be identified, the Chief Audit Executive will investigate and disclose, in advance, if possible, the exact nature of the non-conformance, the reasons for it and, if applicable, its impact on a specific engagement or engagement outcome.
- 4.5. If non-compliance with the GIAS relates to the board or senior management deciding not to meet required conditions, and the Chief Audit Executive disagrees with the related reasons, the Chief Audit Executive will assess whether to conclude that the internal audit function cannot comply with the Standards. In such instances the reasons will be documented, shared with the board and senior management for clarity, and made them available to the external quality assessor.

5. Authority and Confidentiality

- 5.1. Internal auditors are authorised full, free, and unrestricted access to all a client's records, physical property, and personnel as necessary to fulfil the internal audit mandate. All client employees are requested to assist SIAS in fulfilling its roles and responsibilities. Information obtained during an engagement is safeguarded and confidentiality respected in accordance with the Council's GDPR and information security policies.
- 5.2. Internal auditors will only use information obtained to complete an engagement. It will not be used in a manner that would be contrary to the law, for personal gain, or detrimental to the legitimate and ethical objectives of the client organisation(s). Internal auditors will disclose all material facts known, which if not disclosed could distort a report or conceal unlawful practice.

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6. Organisation

- 6.1. The Chief Audit Executive and their representatives have free and unrestricted direct access to the S151 Officer; the Monitoring Officer; Senior Leadership Teams; the Chief Executive; the Audit Committee Chair; the Leader of the Council and the Council's External Auditor. The Chief Audit Executive will communicate with all the above parties at both committee meetings and between meetings as appropriate.
- 6.2. The Chair of the Audit Committee has free and unrestricted direct access to the Chief Audit Executive.
- 6.3. The Chief Audit Executive is line managed by the Head of SIAS who approves all decisions regarding the performance evaluation, appointment, or removal of the Chief Audit Executive, in consultation with the Head of Assurance and SIAS Board. Decisions regarding the performance review, and the appointment/removal of the Chief Audit Executive will be made following appropriate consultation with Member representatives from each of relevant partner audit committees.

7. Stakeholders

The following groups are defined as stakeholders of SIAS:

- 7.1. The Head of SIAS, working with the Chief Audit Executive, both suitably experienced and qualified (CCAB and / or CMIIA), is responsible for:
 - hiring, remunerating, appraising, and developing SIAS staff in accordance with the host authority's HR guidance
 - maintaining up-to-date job descriptions which reflect the roles, responsibilities, skills, qualifications, and attributes required of SIAS staff
 - ensuring that SIAS staff possess or obtain the skills, knowledge, and competencies (including ethical practice) needed to effectively perform SIAS engagements
 - seeking approval from the SIAS Board for the level of human resources and finance required for SIAS to deliver services in accordance with its mandate
- 7.2. The Audit Committee is responsible for overseeing the effectiveness of SIAS and holding the Chief Audit Executive to account for delivery. This is achieved through the approval of the annual audit plan, approval of performance targets set by the SIAS Board and receipt of regular reports. The Committee should champion the internal audit function to enable it to fulfil the purpose of internal auditing and pursue its strategy and objectives.
- 7.3. The Audit Committee is also responsible for the effectiveness of the governance, risk, and control environment within the Council, holding operational managers to account for its delivery.
- 7.4. Where stated in its Terms of Reference, the Audit Committee provides an annual report to the Council detailing the Committee's activities through the year. In addition, and as required, the Committee ensures that there is appropriate communication of, and involvement in, internal audit matters from the wider publicly elected Member body.
- 7.5. The Chief Audit Executive is responsible for ensuring that the outcome of all final Internal Audit reports is reported to all members of the Audit Committee, in a format agreed with these relevant parties.

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- 7.6. Senior Management, defined as the Head of Paid Service, Chief Officers, and their direct reports, are responsible for helping shape the programme of assurance work. This is achieved through analysis and review of key risks to achieving the Council's objectives and priorities. Senior Management should also support recognition of the internal audit function throughout the organisation, and in providing full, free, and unrestricted access to all a client's records, physical property, and personnel as necessary to fulfil the internal audit mandate.
- 7.7. The SIAS Board is the governance group charged with monitoring and reviewing the overall operation of SIAS, with SIAS reporting key information to the Audit Committee within progress and annual reports, including:
- resourcing and financial performance.
 - operational effectiveness through the monitoring performance indicators.
 - any restrictions on internal audit scope, access, authority, or resources limiting the ability to carry out its responsibilities effectively.
 - the overall strategic direction of the shared service.
8. Independence and Objectivity
- 8.1. No element in the organisation should interfere with audit selection, scope, procedures, frequency, timing, or report content. This is necessary to ensure that internal audit maintains the necessary level of independence and objectivity.
- 8.2. As well as being impartial and unbiased, internal auditors will have no direct operational responsibility or authority over any activity audited. They will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that might impair their judgment.
- 8.3. When asked to undertake any additional roles/responsibilities outside internal auditing, the Chief Audit Executive will highlight to the Audit Committee any potential or perceived impairment to independence and objectivity having regard to the principles contained within the GIAS Code of Ethics as well as any relevant requirements set out in other professional bodies to which the Chief Audit Executive may belong. The Audit Committee will approve and periodically review any safeguards put in place to limit any impairments to independence and objectivity.
- 8.4. Where SIAS has been required to provide assurance to other partnership organisations, or arm's length bodies such as trading companies, the Chief Audit Executive and Head of SIAS will ensure that the risks of doing so are managed effectively, having regard to the Head of SIAS's primary responsibility to the management of the partners for which they are engaged to provide internal audit services.
- 8.5. The Chief Audit Executive will confirm to the Audit Committee, at least annually, the organisational independence of SIAS.
9. Conflicts of Interest
- 9.1. Internal auditors will exhibit clear professional objectivity when gathering, evaluating, and communicating engagement information. When forming judgments, they will make a balanced assessment of all relevant circumstances and not be influenced by their own interests or the views and interests of others.

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- 9.2. Each auditor will comply with the ethical requirements of his/her professional body and proactively declare any potential conflict of interest, whether actual or apparent, prior to the start of an engagement.
- 9.3. All auditors sign an annual declaration of interest to ensure that the allocation of work avoids conflict of interest. Auditors who undertake consultancy work or are new to the team will be prohibited from auditing in those areas where they have worked in the past year. Audits are rotated within the team to avoid over-familiarity and complacency.
- 9.4. SIAS procures an arrangement with an external delivery partner to provide service resilience, i.e., additional internal audit days on request. The external delivery partner will be used to deliver engagements as directed by the Chief Audit Executive in particular providing advice and assistance where SIAS staff lack the required skills or knowledge. The external delivery partner will also be used to assist with management of potential and actual conflicts of interest in internal audit engagements, providing appropriate independence and objectivity as required.
- 9.5. In the event of a real or apparent impairment of independence or objectivity, (acceptance of gifts, hospitality, inducements, or other benefits) the Chief Audit Executive Manager will investigate and report on the matter to appropriate parties.
- 9.6. Hertfordshire County Council's Head of Assurance not only leads and has overall management responsibility for SIAS, but also the similarly constituted Shared Anti-Fraud Service (SAFS).
- 9.7. Given that SIAS will potentially undertake internal audit activity in relation to SAFS, this relationship is formally disclosed, and appropriate safeguards will be put in place against any potential impairment to independence. The Head of SIAS will manage the internal audit engagement of this service and report findings directly to the Strategic Director & S151 Officer.
10. Responsibility and Scope
- 10.1. The scope of SIAS encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the organisation's governance, risk management, and internal control processes (as they relate to the organisation's priorities and objectives) and the promotion of appropriate ethics and values.
- 10.2. Internal control and risk management objectives considered by internal audit extend to the organisation's entire control and risk management environment and include:
- consistency of operations or programs with established objectives and goals, and effective performance
 - effectiveness and efficiency of governance, operations, and employment of resources
 - compliance with significant policies, plans, procedures, laws, and regulations
 - design, reliability and integrity of management and financial information processes, including the means to identify, measure, classify, and report such information
 - safeguarding of assets
- 10.3. SIAS is well placed to provide advice and support on emerging risks and controls and will, if requested, deliver consulting and advisory services, or evaluate specific operations.

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- 10.4. SIAS is responsible for reporting to the Audit Committee and senior management, significant risk exposures (including those to fraud addressed in conjunction with the SAFS), control and governance issues and other matters that emerge from an engagement.
- 10.5. Engagements are allocated to (an) internal auditor(s) with the appropriate skills, experience, and competence. The auditor is then responsible for carrying out the work in accordance with the SIAS Operating Procedures Manual, and must consider the relevant elements of internal control, the needs and expectations of clients, the extent of work required to meet the engagement's objectives, its cost effectiveness, and the probability of significant error or non-compliance.
11. Role in Anti-Fraud
 - 11.1. The SIAS work programme, designed in consultation with Senior Management and the Audit Committee seeks to provide assurance on how the Council manages the fraud risks to which it is exposed.
 - 11.2. SIAS must have sufficient knowledge to evaluate the risk of fraud and the way it is managed by the Council but are not expected to have the expertise of a person or team whose primary responsibility is detecting and investigating fraud.
 - 11.3. SIAS will exercise due professional care by considering the probability of significant errors, fraud, or non-compliance when developing audit scopes and objectives.
 - 11.4. SBC is a partner of both SIAS and SAFS and benefits from collaboration and intelligence sharing between the teams. This informs both horizon scanning as part of the internal audit planning process and individual audit engagements.
 - 11.5. The Chief Audit Executive should be notified of all suspected or detected fraud, corruption, or impropriety so that the impact upon control arrangements can be evaluated.
12. Internal Audit Plan
 - 12.1. Following discussion with appropriate senior management, the Chief Audit Executive will submit a risk-based plan to the Audit Committee for review and approval. This will occur at least annually. The plan sets out the engagements agreed by the Section 151 Officer and Senior Leadership Team and demonstrates the priorities of both SIAS (the need to produce an annual internal audit opinion) and those of the organisation. Also included will be any relevant declarations of interest.
 - 12.2. The plan will be accompanied by details of the risk assessment approach used and other assurance considered during the planning process. Also shown will be the timing of an engagement, its budget in days, details of any contingency for new or changed risks, time for planning and reporting and a contribution to the development of SIAS.
 - 12.3. The plan will be subject to regular review in year and may be modified in response to changes in the organisation's business, risks, operations, programmes, systems, and controls. All significant changes to the approved internal audit plan will be communicated in the quarterly update reports.

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13. Reporting and Monitoring

- 13.1. A draft written Terms of Reference will be prepared and issued to appropriate personnel at the start of an engagement. It will cover the intended objectives, scope and reporting mechanism and will be agreed with the client. Changes to the terms of reference during the engagement may occur and will be agreed following consultation with the client.
- 13.2. A report will be issued to management on completion of an engagement. It will include a reasoned opinion, details of the time and scope within which it was prepared, management's responses to specific risk prioritised findings and recommendations made and a timescale within which corrective action will be / has been taken. If recommended action is not to be taken, an explanation for this will also be included.
- 13.3. In the event of material objectivity, other potential impairments or scope limitations being identified during the audit planning, scoping or audit fieldwork stages, these will be formally reported within the related terms of reference or audit report, and where relevant communicated to the Board within the next available progress report.
- 13.4. SIAS will follow-up the implementation of agreed recommendations in line with the protocol at each client. As appropriate, the outcomes of this work will be reported to the audit committee and may be used to inform the risk-based planning of future audit work. Should follow-up activity identify any significant error or omission, this will be communicated by the Client Audit Manager to all relevant parties.
- 13.5. In consultation with senior management, the Chief Audit Executive will consider, on a risk-basis, any request made by external stakeholders for sight of an internal audit report.
- 13.6. Quarterly update reports to the Audit Committee will detail the results of each engagement, including significant risk exposures and control issues. In addition, an annual report will be produced giving an opinion on the overall control, governance, and risk management environment (and any other issues judged relevant to the preparation of the Annual Governance Statement) with a summary of the work that supports the opinion. Hertfordshire County Council's Head of Assurance will also make a statement of conformance with GIAS, using the results of the annual self-assessment and Quality Assurance and Improvement Plan (QAIP) required by the GIAS. The statement will detail the nature and reasons for any impairments, qualifications, or restrictions in scope for which the Committee should seek reassurances from management. Any improvement plans arising will be included in the annual report.

14. Periodic Assessment

- 14.1. GIAS require Hertfordshire County Council's Head of Assurance and the SIAS Board to arrange for an independent review of the effectiveness of internal audit undertaken by a suitably knowledgeable, qualified, and competent individual or organisation. This should occur at least every five years.
- 14.2. Hertfordshire County Council's Head of Assurance will ensure that continuous efforts are made to improve the efficiency, effectiveness, and quality of SIAS. These will include the Quality Assurance and Improvement Programme, client feedback, appraisals, and shared learning with the external audit partner as well as coaching, supervision, and documented review.

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- 14.3. A single review will be carried out to provide assurance to all SIAS partners with the outcomes included in the partner's Annual Report.
15. Review of the Audit Charter
 - 15.1. The Chief Audit Executive will review this Charter annually and will present to the first audit committee meeting of each financial year, any changes for approval.
 - 15.2. The Chief Audit Executive reviewed this Audit Charter in May 2026. It will next be reviewed in April 2027.

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Glossary of Terms

<p>Audit Committee</p>	<p>The GIAS defines the Audit Committee as “The governance group charged with independent assurance of the adequacy of the risk management framework, the internal control environment and the integrity of financial reporting.”</p> <p>The Audit Committee operates in accordance with its terms of reference contained in East Herts Council’s Constitution.</p> <p>CIPFA’s <i>Audit Committees Practical Guidance for Local Authorities and Police 2022 Edition</i> indicates that for a local authority, it is best practice for the audit committee to report directly to full council rather than to another committee, as the council itself most closely matches the body of ‘those charged with governance’. This is the case at SBC.</p>
<p>Audit Plan</p>	<p>The programme of risk-based work carried out by the Shared Internal Audit Service (SIAS) on behalf of its clients.</p>
<p>Board</p>	<p>The GIAS defines the ‘Board’ as “The highest-level governing body (e.g., a board of directors, a supervisory board, or a board of governors or trustees) charged with the responsibility to direct and/or oversee the organisation’s activities and hold senior management accountable. Although governance arrangements vary among jurisdictions and sectors, typically the board includes members who are not part of management. If a board does not exist, the word “board” in the Standards refers to a group or person charged with governance of the organisation. Furthermore, “board” in the Standards may refer to a committee or another body to which the governing body has delegated certain functions (e.g., an Audit Committee).</p> <p>For the purposes of the SIAS Audit Charter, the Board as referred to in the GIAS shall be East Herts Council’s Audit Committee. All references to the Audit Committee in the SIAS Audit Charter should be read in this context.</p>
<p>Chief Audit Executive (CAE)</p>	<p>The GIAS describes the role of CAE as “a person in a senior position responsible for effectively managing the internal audit activity in accordance with the internal audit charter and the mandatory elements of the International Professional Practices Framework. The CAE or others reporting to the CAE will have appropriate</p>

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	<p>professional certifications and qualifications. The specific job title and/or responsibilities of the CAE may vary across organisations.”</p> <p>The CAE is fundamental to the success of the service and to the extent to which it complies with the Standards. Regular reference is made to this role throughout the GIAS, including some specific requirements relating to whoever is designated the role.</p> <p>For the purposes of the SIAS Audit Charter, the CAE as referred to in the GIAS shall be SBC’s Client Audit Manager. Any references to the Client Audit Manager in the SIAS Audit Charter should be read in this context.</p>
Global Internal Audit Standards	<p>The Standards guide the worldwide professional practice of internal auditing and serve as a basis for evaluating and elevating the quality of the internal audit function. At the heart of the Standards are 15 guiding principles that enable effective internal auditing.</p>
Management	<p>Operational officers of the Council responsible for creating corporate policy and organising, planning, controlling, and directing resources to achieve the objectives of that policy. Senior management is defined as the Head of Paid Service, Chief Officers, and their direct reports.</p>
Shared Internal Audit Service (SIAS)	<p>SIAS is a local authority partnership comprising Hertfordshire County Council (HCC) and seven Hertfordshire district and borough councils. SIAS also provides internal audit services to a limited number of external clients. HCC is the host authority for the partnership and provides support services such as HR, technology, and accommodation.</p>
SIAS Board	<p>The Board that comprises officer representatives from the partner authorities and is responsible for the governance of the SIAS partnership.</p>

Note:

For readability, the term ‘internal audit activity’ as used in the GIAS guidance has been replaced with ‘SIAS’ in this Charter.

Agenda Item 10

Audit and Governance Committee

Date: 30th June 2026

Report by: Councillor Sarah Hopewell, Executive Member for Wellbeing

Report title: BEAM Trading Update

Ward(s) affected: Hertford Castle

Summary

- This paper covers the performance and financial position for the 2025/26 year, setting out challenges and control measures in place along with business plan targets for 2026/27 onwards

RECOMMENDATIONS FOR DECISION: That Audit and Governance Committee Members:

(A) Review BEAM's position and make any recommendations to the Executive Member for Wellbeing in regards to BEAM's performance and business plan targets

1.0 Proposal(s)

1.1 That Audit and Governance Members review BEAM's position and consider the new business plan targets

2.0 Financial Overview of 2025/26

2.1 At the previous Audit Governance Committee based on quarter 1 information BEAM was forecasting a loss of £275k. Further budget updates to Executive based on quarter 2 information increased the forecast loss to £475k for the 2025/26 year. After reviewing the year end position and making all the relevant adjustments, the loss for the year has been confirmed as £970,000.

- 2.2 This position is enormously disappointing and urgent work has taken place in the last two months to understand the main drivers of the loss, review the commercial roadmap and accelerate actions within it.
- 2.3 It is important to note that there is not one overwhelming factor that is driving the position. Likewise there is no 'silver bullet' solution and a series of smaller interventions across the business are required to collectively to address the challenge. The main reasons driving the loss are summarised below.

Income was below original business plan assumptions:

- 2.4 It had been anticipated during the year that income would not achieve the original business plan target of £4.8m however in the event it fell further short than expected. Actual income generated in 2025/26 was £2.878m for the whole year (£569k for the café and £2.309m for everything else).
- 2.5 While some expenditure does flex up or down in line with the number of shows and screenings, BEAM has significant fixed costs which remain largely unchanged regardless of activity levels. These include permanent staffing costs of approximately £1.1m and building and contract costs of circa £600k resulting in baseline operating costs of around £1.7m per annum before any tickets for live performances, cinema screenings or food and beverage are sold.
- 2.6 Income generated over the year must therefore cover fixed overheads as well as the variable costs associated with individual shows and screenings, such as production fees, additional staffing, bar supplies and security. Where shows under perform on ticketing income, this permeates through the business overall as it means fewer sales elsewhere in the building (eg. at the bar). Some shows over 2025/26 underperformed against expectations.
- 2.7 It should also be noted that income is accounted for in the year in which the show, screening or hire takes place. As a result, £440k of ticket sales and hire income received in 2025/26 relating to 2026/27 activity is deferred and will be recognised in the current financial year. By way of comparison, sales for shows in 2025/26

which were made in 2024/25 were circa £100k.

Expenditure was higher than expected

2.8 Total expenditure in 2025/26 was £3.849m. While this was below the £4.6m forecast in the original business plan, it was high relative to the level of income generated. Key drivers of overspend included:

- Staffing costs – expenditure on casual staff was higher than forecast
- Food offer – this made a loss overall given the start-up costs involved for launching it a new service
- Supplies and services costs which were higher than forecast including IT licences, card transactions fees and security

2.9 Whilst other key areas of spend came in as per budget, the reduced level income combined with higher than forecast expenditure has created the overall loss. The following table provides this in more detail:

Expenditure	2025/26 Budget as per original business plan	2025/26 Actual	Variance against original business plan
	£	£	£
Employees	1,288,700	1,395,235	106,535
Property	582,340	464,990	-116,953
Transport	3,500	2,641	-859
Theatre Expense	1,327,810	839,304	-488,506
Panto Expense	270,000	263,357	-6,643
Cinema Expense	360,680	164,253	-196,427
Food & Beverage Other Supplies & Services	387,500	191,586	-195,914
	392,620	527,730	135,110
Total Expenditure	4,613,150	3,849,096	

<u>Income</u>	-		
Theatre	-2,036,270	-1,221,668	814,602
Panto	-390,000	-295,406	94,594
Cinema	-721,360	-438,048	283,312
Food & Beverage	-1,232,850	-569,278	663,572
Other	-432,670	-354,471	78,199
Total Income	-4,813,150	-2,878,871	
Actual year end position for 2025/26			<u>970,225</u>

3.0 Controls in place

3.1 A number of actions were already in the process of being implemented to improve the commercial outlook. Many have been accelerated since the end of the year and they include:

- **New business plan** – based on operational reality after being fully open for twelve months, targets for which are in see section 5
- **Live programme** – programme is now more risk averse, underpinned by commercial framework, focusing on shows and genres that are more likely to generate a surplus, building on the audience participation strategy. It is worth noting that the advanced nature of programming means that changes brought in by the Venue Director in early 2025 are only starting to materialise now
- **Review of contract spend** where we think savings can be made through re-tendering and/ or reducing the specification (eg. the cleaning contract)

3.2 Additional urgent actions have also been implemented including:

- **Dedicated finance business partner support** – a dedicated finance business partner will be embedded within BEAM for a twelve-month period to provide full time, focused financial support and build out new

reporting processes. This will include deeper analysis of costs and income drivers, improved show-by-show financial reporting, strengthened budget monitoring, and support to management in identifying further efficiencies and value-for-money opportunities.

- **Review of opening time against profitability** – traditionally Mondays and Tuesday are less busy with no cinema screenings and few live shows. We rely on regular hirers and passing café trade which can be unpredictable and reliant on variables such as the weather. After a full review of income and expenditure on these days BEAM will be extending cinema programming into Mondays to maximise income and the building will close earlier in the evening (when hirers are finished) to save costs
- **Responsive ticket pricing** – there is the option to simply increase prices to drive up income. However the pricing strategy is sensitively based on benchmarking, producer costs and competition in the market. A universal increase may therefore be detrimental to income and drive audiences away. Instead we are rolling out a responsive pricing model which will increase prices in accordance with demand, or may offer cheaper rates in some cases where there is low demand. This will be trialled on specific shows in the coming months. It is worth noting that BEAM tends to perform quite well on ‘pay what you feel’ shows where contributions are, on average, slightly above what we would typically expect
- **Review of the food offer** – hospitality generally remains a difficult sector in which to operate. BEAM has the added challenges of being in a town with a highly competitive café and restaurant market. The food offer has been well received however and we are still in the process of growing its importance in the overall offer. For 2026/27 we have some catered events booked in (which provide higher margins) and will also look to launch a takeaway/ delivery service and loyalty scheme. The overall profitability of the food offer will be reviewed again towards the end of 2026/27

3.3 April and May have been strong months for BEAM sales and provide confidence that the changes made to date are delivering the growth needed. Our forecasts for Q1 indicate substantial year on year growth in the following areas:

- Stage attendance: +58%
- Cinema attendance: +39%
- Ticketing commissions: +30%
- F&B Income: +32%

3.4 The quieter summer period provides us with the opportunity to make good progress on a number of our current actions, ahead of an autumn/winter period, which is set to be our busiest yet. The next formal update on BEAM's position and forecast for 2026/27 will be mid July, based on the quarter 1 position.

4.0 Operational update on 2025/26

4.1 BEAM has now completed a full year of trading across all spaces, transitioning from launch into a more operationally stable and commercially focused model. Over this period, the organisation has had a clear focus on improving operating margins, reducing commercial risk exposure, and strengthening long-term sustainability.

4.2 Some key statistics from BEAM's first full year of operation are outlined below:

- Delivered 3,170 ticketed events
- Welcomed over 77,000 people to live Stage shows
- Welcomed over 53,000 people to film screenings
- Hosted 862 youth or community workshops
- Sold nearly 122,000 drinks at café bars
- Provided cultural experiences to over 12,000 children and young people
- Sold over 85,000 tickets to East Herts residents
- 36% of Stage audiences were first-time visitors
- 23% of Film audiences were first-time visitors
- Delivered over £2,000,000 in local economic impact

4.3 These outputs demonstrate strong audience engagement and reach. Alongside this, BEAM has implemented a structured programme of financial stabilisation actions, focused on three core areas:

- Revenue optimisation (maximising yield per customer and per event)
- Cost efficiency (reducing fixed and variable costs)
- Risk management (ensuring sustainable, lower-risk growth)

4.4 At the previous update to Audit and Governance Committee in 2025 a number of actions aligned to these principles were outlined. Updates on progress since then is provided below.

Programming Approach Impact

4.5 Changes to the programming model - particularly the introduction of a more structured programming framework and improved commercial contracting - are starting to have a substantial impact on BEAM's financial stability.

4.6 Historically, aspects of programming exposed the organisation to disproportionate financial risk through high fixed costs and uncertain demand. That is to be expected to some extent with a new venue as it tests audience interest and preferences. However the revised approach prioritises portfolio balance, margin protection, and reduced break-even thresholds, creating a more sustainable and predictable income profile.

4.7 Due to long programming lead times, the benefits of these changes are emerging gradually, but performance indicators show clear positive movement. Comparing September–March across 2024/25 and 2025/26:

- 10% increase in stage attendance
- 11% increase in average ticket price
- 59% increase in ticketing commissions
- 576% increase in transaction fees
- 47% increase in overall ticket sales
- 12% increase in Stage occupancy

4.8 These results reflect successful implementation of yield optimisation strategies, including adjusted pricing structures, commissions, and ancillary revenue streams.

4.9 Programme development continues and we are currently making considered changes to programming strands - including across Cinema, to ensure that every strand is meeting is strategic and financial

objectives. We are also in the process of preparing to extend Cinema programming into Monday daytimes, to capitalise on high footfall from some audience segments.

Embedding Entrepreneurialism

- 4.10 Embedding entrepreneurial thinking across all departments has been a key part of transitioning to a commercially disciplined operating model. For example, marketing BEAM as a venue for corporate events would be labour intensive and require a reasonable financial outlay. We have partnered with a booking platform which connects corporate clients to venues based on their needs. The platform takes a commission from any bookings ensuring our approach requires no upfront investment. We have a number of events booked in for the 2026/27 year.
- 4.11 This approach has reduced reliance on static or legacy processes and encouraged data-driven decision-making, cost recovery, and revenue accountability across teams. As a result, between September and March there has been a 16% increase in cost recovery across Technical and Marketing areas
- 4.12 This reflects the wider organisational shift toward commercial sustainability over volume growth and margin improvement over headline revenue.

Commercialisation of Digital Presence

- 4.13 In March 2026, BEAM launched a new website as part of a broader digital transformation strategy, designed to improve conversion rates, enhance customer experience, and act as a key revenue driver.
- 4.14 Digital channels are central to BEAM's commercial model, enabling both revenue growth and operational efficiency through improved user experience and reduced manual intervention. Although digital exclusion can be a challenge for some, less than 3% of overall tickets are sold in person at the venue.
- 4.15 Performance improvements compared to the previous website include:

- Reduction in abandonment rate to 2.2% (68% improvement)
- 9% increase in basket value
- 27% conversion rate (industry benchmark: 12.6%)
- 2,600% growth in membership purchases

4.16 The website has also received two awards for web excellence, reinforcing the strength of the platform.

4.17 Further enhancements are underway to strengthen yield optimisation and customer journey conversion, including:

- Apple Pay and Google Pay integration
- “Buy Now, Pay Later” (*Klarna*)
- Ticket protection (“*Secure My Booking*”)
- One-click checkout functionality
- Integration of pre-ordering for F&B

4.18 Customer feedback remains strong, with a satisfaction score of 9.1/10 as of May.

Launching a Food Offer

4.19 The in-house food offer is now embedded and forms part of BEAM’s long-term strategy to grow high-margin secondary spend and diversify revenue streams.

4.20 While overall profitability is still developing, early indicators are positive:

- 16% growth in food sales from Q3 to Q4
- Transactions including food increase total spend by ~25%

4.21 The introduction of food has also unlocked growth in meetings, events, and conferencing, where catering is a key requirement. Operational

restructuring (moving Non-Theatrical Hires activities to the Operations team) has improved cross-selling and revenue capture. This aligns with the broader strategic objective of maximising spend per head (SPH) and integrating F&B within programming and events activity.

Food and Beverage (F&B) Developments

4.22 F&B remains a key focus area due to its strong margin potential and role in enhancing customer experience. Across the last year SPH has increased by 27% compared to 2024/25.

4.23 Ongoing developments are focused on increasing revenue and improving margin efficiency:

- Reviewing cinema F&B offer
- Exploring takeaway partnerships (e.g. Deliveroo)
- Introducing pre-theatre packages integrated into ticket purchase flow
- Exploring loyalty schemes for daytime usage

4.24 These initiatives reflect a strategic shift toward data-led upselling, improved pricing, and better integration of F&B across the customer journey.

Pantomime

4.25 A revised commercial approach to pantomime delivery, including our partnership with *Imagine Theatre*, has demonstrated the benefits of stronger commercial frameworks and revenue optimisation.

4.26 Year-on-year performance improvements include:

- 20% increase in attendance
- 11% increase in average ticket price
- 46% increase in ancillary income

4.27 Advance sales for our upcoming production of *Jack & The Beanstalk* (also to be delivered in partnership with Imagine Theatre) are already ahead of prior year by 1,379 tickets, indicating strong continued growth.

Stage 2 Performance

4.28 The first year of Stage 2 highlighted operational challenges, particularly the high cost of changing configurations. In response, we have implemented a revised programming approach aligned with operational simplicity and cost efficiency, ensuring that programming fits predetermined configurations rather than driving costly changes. This has:

- Reduced staffing and operational costs
- Improved margin performance
- Enabled more predictable and sustainable programming

4.29 Additionally, improved understanding of audience demand (from careful analysis of the programme across the first year) has allowed future programming to focus on events with stronger financial performance potential.

5.0 Future Business Planning

5.1 Over recent years, the Arts & Culture sector has changed dramatically - costs of creating shows, touring and running venues has risen significantly, but ticket prices haven't risen in line with these costs putting significant pressures on the margins for live events. Similar challenges are evident in the Cinema sector, which is still seeing attendance figures that are 30% lower than 2019.

5.2 As a result of these challenges, we have created a new Business Plan rooted in the reality of the current Arts & Culture Marketplace. This new plan is designed to ensure that ambition can remain ringfenced at a time of potential turbulence.

5.3 In creating this Business Plan, we have drawn from a number of sources including:

- Actual figures from 2025/26
- Growth metrics since opening
- Sector Benchmarks for Theatre, provided by TRG Arts
- Sector Benchmarks for Cinema, provided by the Independent Cinema Office and British Film Institute.

5.4 In looking ahead, we have also considered the following reports:

- Arts Council England's report: *The State of Touring across the Performing Arts Ecology*. Published April 2026.
- UK Theatres report: *Theatre In The UK 2026 Report*. Published March 2026.
- BFI's report: *UK Box Office January – December 2025*. Published in February 2026.

5.5 Given challenges across the sector, we have been considered in where we are forecasting growth and at what pace. The new plan sees us transition towards a break-even point around 2028/29. The growth within this is measured, achievable and based on data.

	26-27	27-28	28-29
Staffing Costs	£1,377,553	£1,537,538	£1,591,466
Building Costs	£225,915	£238,086	£248,215
Utilities	£333,743	£352,870	£374,933
Programme Costs	£1,949,753	£2,102,820	£2,306,882
Operational Costs	£464,832	£513,515	£559,641
Other Costs	£26,004	£28,604	£29,749
Total Costs	£4,377,801	£4,773,434	£5,110,885
Programme Income	£2,651,631	£3,008,115	£3,355,911
Hire Income	£211,420	£223,280	£235,971
Café Sales	£849,450	£960,912	£1,065,895
Other Income	£381,329	£417,474	£451,975
Total Income	£4,093,830	£4,609,781	£5,109,752
Outturn	-£283,971	-£163,653	-£1,133

5.6 The above plan has been created in conjunction with Finance colleagues and has been tested and scrutinized to ensure

accuracy. In due course this will be built in the Council's Medium Term Financial Plan.

6.0 Reason

6.1 Audit and Governance Committee are required to have an annual update on BEAMs position.

7.0 Options

7.1 N/A – no recommendations made other than for Audit and Governance Members to make recommendations to the BEAM Board or Executive Member for Wellbeing

8.0 Risks

8.1 The paper covers key areas of risk facing BEAM (see sections 2.0 and 3.0) and mitigating actions in place.

9.0 Implications/Consultations

9.1 N/A

Community Safety

N/A

Data Protection

N/A

Equalities

BEAM is a fully accessible building. In addition the BEAM Board have recently agreed an overall programming framework which sets out the principles behind programming. Ordinarily the venue will not programme events that are designed primarily to promote political parties, ideologies, or candidates, religious beliefs, contain extremist content or pose a risk to public safety, community cohesion, or are inconsistent with the Equality Act 2010 or any UK laws prohibiting discrimination or hate speech.

The actions being implemented, such as responsive ticketing will also be considered in the context of any equalities impacts.

Environmental Sustainability

Beam recently won the sustainability prize at the UK Theatre Awards and a sustainability award at the RIBA East Architectural Awards. Alongside this we are still intending to install PV panels on the roof of the building (funded via the UK Shared Prosperity Fund)

Financial

As detailed in the report

Health and Safety

N/A

Human Resources

N/A

Human Rights

N/A

Legal

N/A

Specific Wards

Yes – Hertford Castle

10.0 Background papers, appendices and other relevant material

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Agenda Item 11

East Herts Council Report

Audit and Governance Committee

Date of meeting: Tuesday 30 June 2026

Report by: Councillor Carl Brittain – Executive Member for Financial Sustainability

Report title: Provisional Outturn 2025/26 and Draft Statement of Accounts 2025/26

Ward(s) affected: (All Wards);

Summary – This report provides an overview of the provisional outturn for the General Fund Revenue Budget and the Capital Programme outturn for the 2025/26 financial year. The outturn remains provisional as the figures are subject to external audit.

Also presented are the 2025/26 draft Statement of Accounts.

RECOMMENDATIONS FOR AUDIT AND GOVERNANCE COMMITTEE:

- a) Note the general fund revenue outturn of £678K overspend to be funded from the general reserve; and
- b) Note the capital outturn position and approve carry forward budgets of £1.142m.
- c) Receive the 2025/26 draft statement of accounts prior to them being audited.

1. Proposal(s)

- 1.1. To advise members on the 2025/26 revenue outturn position and provide explanations for significant variances against approved budgets.
- 1.2. To advise members of the final capital outturn position and financing arrangements for the 2025/26 capital programme.
- 1.3. To provide the 2025/26 draft statement of accounts.

2. Background

- 2.1. The 2025/26 budget was set at full Council in February 2025. Quarterly budget monitoring reports were presented to members during the year, this report provides the 2025/26 outturn position.
- 2.2. The provisional outturn forms part of the Council's closure of accounts process for 2025/26. The outturn is reported prior to the audit of the council's accounts by the Council's external auditors, Azets, and therefore remains provisional until the audit is complete.
- 2.3. The draft 2025/26 Statement of Accounts will be published on the Council's website by the statutory deadline of 30th June 2026.

3. Revenue Outturn 2025/26

- 3.1. An overspend of £678K is reported against the 2025/26 revenue budget. In line with the Council's financial procedure rules the Director for Finance, Risk & Performance has approved that the overspend be funded from the general reserve. Table 1 shows the position before this use of reserves

Table 1: Summarised 2025/26 Outturn position

	2025/26 Original Budget	2025/26 Outturn	Variance
	£'000	£'000	£'000
Net Cost of Services	15,757	18,162	2,405
Corporate Budgets	4,540	4,115	(425)
Net (use)/Transfer to Reserves	(164)	(1,360)	(1,196)
Funding	(7,008)	(7,115)	(107)
Council Tax	(13,131)	(13,131)	0
2025/26 Overspend	(6)	672	678

Variance against original budget

- 3.2. Appendix A provides the provisional outturn position and a more detailed analysis of the variances. The key drivers of the £2.405m overspend against the Net Cost of Services are summarised below:

- £1.167M net overspend on BEAM (a £709K adverse movement from quarter 3) reflecting lower income and higher staffing and operating costs. Further details is provided in Appendix A and the BEAM report on this agenda .
- £425K overspend on Property primarily relating to the costs of accommodating the grounds maintenance contractor at Rapier House and expenditure incurred at Limekiln, prior to disposal. Both issues are expected to be resolved in 2026/27, with limited ongoing financial pressure anticipated.
- £348K overspend in Parking, driven by higher business rates pressure, which has been resolved for 2026/27, and the cleansing contract which is under review and options to be considered for managing ongoing pressure.

3.3. The £425K variance against the corporate budgets is made up of the following movements:

- Review of Minimum Revenue Provision resulting in a £203K reduction against budget.
- Interest payment on loans was £186k lower than budgeted, partially due to lower interest rates on the Council's borrowing than those assumed during budget setting.
- The interest that the Council received on its investments was £505K higher than budgeted due to better performance of the Council's short-term investments.
- A £448K loss on the Lothbury Property Fund, which was partially funded through reserve usage and the overachievement of investment income. The final redemption in relation to this property fund was received in May 2026, the £448k loss represents the final position on this fund.

3.4. The Reserve position of the Council as at 31 March, after funding the 2025/26 underspend of £678k is shown in Table 2.

Table 2: 2025/26 General and Earmarked Reserve position

Usable reserves	31 Mar 2025	31 Mar 2026	2025/26 Movement
	£'000	£'000	£'000

General Fund	3,854	3,854	-
Earmarked reserves	17,297	15,259	2,038
Capital grants unapplied	189	189	-
Total	21,340	19,302	2,038

- 3.5. As set out by the Chief Finance Officer in the March 2026 budget report to Council, the calculated minimum level of General Fund balance is £3.649m. As at 31 March 2026, the Council's General Fund balance was £3.854M. This is set aside to meet unforeseen risks. There has been no use of the general fund reserve in 2025/26.
- 3.6. In 2025/26, a net £2.038M was transferred from the Council's Earmarked Reserves, with the main areas of reserve usage being:
- £986K to fund expenditure within the Net Cost of Services, including mobilisation costs of the new waste contract, costs associated with Local Government reorganisation, redundancies, volatility in the housing benefits budget and increased costs against the grounds maintenance contract;
 - £678K to fund the 2025/26 revenue overspend;
 - £240k to fund the loss against the Lothbury Property fund; and
 - £133k to smooth business rates collection fund deficit in year.

Funding

- 3.7. The funding position shows an overachievement of income of £107K, this is due to a surplus of government grants being received, a deficit against the collection fund and retained business rates being higher than budgeted.

Comparison of Outturn position to Q3 monitoring

- 3.8. The Council undertakes quarterly budget monitoring which is reported to Members. The latest position reported at Quarter 3 (based on information available at December and reported at February Audit and Governance Committee), where it indicated a projected overspend of £505k. This represented a position at a point in time, based on the information available then. The movement since that position of £172k is explained below.

- £1.5m adverse movement against net cost of services, primarily BEAM £706K, Grounds Maintenance £193K, Waste mobilisation £331K;
- £333k adverse movement against corporate budgets, mainly due to loss on property funds;
- £107k favourable movement against funding, due to additional government grants.

3.9. In line with the Council's financial procedure rules the Director for Finance, Risk & Performance has approved a total of £1.196m from reserves to fund one off pressures in 2025/26. The balance on the councils earmarked reserves as at 31 March 2026 remains consistent with the levels forecast as at the 2026/27 MTFP and budget setting.

4. Capital Outturn 2025/26

4.1. The progress of the capital programme has been reported to Audit and Governance Committee throughout the year as part of the budget monitoring process. Capital expenditure in 2025/26 was £8.628M, against a budget of £11.925M as set out in Table 3.

Table 3: 2025/26 Capital Outturn & Budget Carry Forwards to 2026/27

	2025/26 Revised Budget	2025/26 Outturn	Variance	Carry Forwards to 2026/27
	£'000	£'000	£'000	£'000
Land & Buildings	2,019	379	(1,640)	840
Infrastructure	38	33	(5)	0
Vehicles & Equipment	8,870	7,942	(928)	107
Community Assets	349	9	(340)	70
REFCUS	649	265	(384)	125
Capitalisation of Interest	-	-	0	-
Total	11,925	8,628	(3,297)	1,142

- 4.2. A breakdown of expenditure against the Capital Programme is shown in Appendix C.
- 4.3. The 2026/27 Capital Programme, approved by full Council in February 2026, included carry forwards of £1.114m. As at 31st March 2026, an additional £28k of carry forwards have been identified for approval where schemes were not completed by the end of the financial year.
- 4.4. Of the £3.297m underspend, approximately two-thirds (£2.155m) will not be carried forward to 2026/27, following a detailed review of budget requirements. Further details are outlined below:
- The capital budgets for investment in BEAM, Depot Upgrades and Pinehurst Community Hall were reviewed as part of the 2026/27 budget setting process and reset to the required level , as a result, £800k of the 2025/26 underspends is not required to be carried forward.
 - The ICT Projects rolling programme has been subject to a similar review, with £338K underspend not being rolled forward to 2026/27.
 - The Refuse & Recycling Containers and Transformation programmes together account for just under £500K of underspend that will not be carried forward to 2026/27.
- 4.5. The 2025/26 Capital Programme has been financed from the following sources:

Table 4: 2025/26 Capital Financing

	£'000
Capital receipts	4,978
Government grant	1,501
Third part contributions	383
Borrowing	1,766
Total	8,628

5. Draft Statement of Accounts 2025/26

- 5.1. The 2025/26 draft Statement of Accounts was not available for publication at the same time as this report. It is expected to be published by 30 June, at which point members will be notified and provided with a copy. The period for public inspection will open on

when the draft statement of accounts is published and remain open for 30 working days. Officers are working with the councils' external auditors (Azets) to complete the 2025/26 audit by the backstop date of 31 January 2027.

6. Options

- 6.1. The Executive can choose not to carry forward capital budgets although this would cause budget shortfalls and overspends on projects. This is not recommended.

7. Risks

- 7.1. The Statement of Accounts and provisional outturn are subject to external audit and there is a risk that the accounts will need to be adjusted, which may affect the outturn position.

8. Implications/Consultations

Community Safety

None arising directly from this report.

Data Protection

None arising directly from this report.

Equalities

None arising directly from this report.

Environmental Sustainability

None arising directly from this report.

Financial

All financial implications are included in the report.

Health and Safety

None arising directly from this report.

Human Resources

None arising directly from this report.

Human Rights

None arising directly from this report.

Legal

Regular monitoring and forecasting of the revenue budget and capital programme are required to ensure that the council is managing its resources effectively and complies with section 28 of the Local Government Act 2003 and the Councils financial procedure rules.

Specific Wards

No

9. Background papers, appendices and other relevant material

9.1. Appendices A - C

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Appendix A - 2025/26 Revenue Budget Outturn Position

		Revised Budget	Outturn	Variance	Q3 Forecast	Q3 Variance	Mvmt from Q3
		£'000	£'000	£'000	£'000	£'000	£'000
Net Cost of Services	Chief Exec & Corp Support Team	305	288	(17)	276	(29)	12
	Communities	5,479	5,996	517	2,644	(2,835)	3,352
	Centrally Managed Costs	853	656	(198)	607	(246)	49
	Legal Policy & Governance	1,750	1,847	96	5,035	3,285	(3,188)
	Place	4,655	4,746	91	4,791	136	(45)
	Regeneration Customer & Commercial Services						
		(2,186)	(511)	1,675	(1,244)	942	733
	Finance, Risk Performance	5,065	5,239	174	4,719	(346)	520
	Capital Salaries	(164)	(98)	66	(163)	1	65
Total Net Cost of Services		15,757	18,162	2,405	16,665	908	1,497
Corporate Budgets	Minimum Revenue Provision	1,634	1,431	(203)	1,431	(203)	0
	Interest Payment on Loans	3,269	3,083	(186)	3,071	(198)	12
	Pension Fund Deficit Contribution	637	658	21	637	-	21
	(Gain)/Loss on Property Funds	-	448	448	-	-	448
	Interest & Investment Income	(1,000)	(1,505)	(505)	(1,357)	(357)	(148)
	Total Corporate Budgets		4,540	4,115	(425)	3,782	(758)
Use of Reserves	Contributions to Earmarked Reserves	-	-	-	357	357	(357)
	Contributions from Earmarked Reserves	(164)	(1,360)	(1,196)	(164)	-	(1,196)
	Net Use of Reserves		(164)	(1,360)	(1,196)	193	357
Net Cost of Services Grand Total		20,133	20,918	785	20,640	507	278
Funding	Retained Business Rates	(5,092)	(5,361)	(269)	(5,092)	-	(269)
	Council Tax Demand on Collection Fund	(13,131)	(13,131)	-	(13,131)	(0)	0
	(Surplus)/Deficit on Collection Fund	-	401	401	-	-	401
	General Government Grants	(582)	(822)	(240)	(582)	-	(240)
	Revenue Support Grant	(141)	(141)	(0)	(141)	-	(0)
	New Homes Support Grant	(1,193)	(1,193)	0	(1,193)	-	0
Total Non-Departmental Budgets		(20,139)	(20,246)	(107)	(18,946)	(0)	(107)
Overall Grand Total		(6)	672	678	1,694	507	171

Appendix B - Summary of Significant Variances - Quarter 4 2025-26

Budget Area	2025/26 Budget £ 000's	2025/26 Outturn £ 000's	Variance £ 000's	Reason for Variance	Q3 Forecast Outturn £ 000's
Chief Exec & Corp Support Team	305	288	(17)	Minor staffing variances	276
Communities	5,479	5,996	517		5,775
Community & Business Engagement	577	632	55	An over spend is reported against the Launchpad, this relates to rental income received being lower than budgeted and the cost pressures of running the service. This pressure will fall away in 2026/27 following the sale of the commercial unit at Limekiln.	584
Housing Service	426	383	(43)	The Housing service has come in on budget for 2025/26 with government grants utilised to meet the cost pressures of homelessness and temporary accommodation. A small (£43k) favourable variance is shown at the end of the year.	368
Property	1,163	1,587	424	The majority of the overspend in 2025/26 (£269k) relates to costs associated with accommodating the ground maintenance contractor in Rapier House. In 2026/27 the grounds maintenance contractor will be relocated and Rapier House will be let on a commercial basis. Expenditure of £125k was incurred on Limekiln flats, prior to disposal in March 2026. There will be no further expenditure in 2026/27.	1,567
Waste	3,313	3,394	81	The overspend in 2025/26 relates to one off costs associated with the migration to the new waste and recycling contract, these costs have been funded from reserves.	3,256
Centrally Managed costs	853	656	(197)		607
Legal, Policy & Governance	1,750	1,847	96		1,757
Improvement & Insight	292	413	120	Pressure is partially linked to lost income relating to staff recharges from other councils, which will no longer materialise (for 2026/27 this budget has been removed and will not be a pressure). Redundancies in the team have also contributed towards the overspend. These will be met from reserves in 2025/26	345
Legal Services	426	347	(79)	Variance linked to vacancy savings, partly reduced by court cost pressures.	352
Other Variances	1,032	1,087	55	Minor variances	1,060
Place	4,655	4,746	91		4,791
Planning and Gilston Garden Town	2,308	2,436	128	Whilst there is a relatively minor overspend on Planning, there continues to be a pressure on staffing costs due to difficulties in recruitment. This is mainly focussed in the Development Management Team where there is a shortage of experienced planners at a principal level and as a result agency staff are used to cover and support the work on the major planning applications. Netting off against the Agency pressure is a £495K underspend from the Gilston Area budget. These are not savings as the costs will likely be incurred in future years.	2,397
Parks & open Spaces	1,457	1,559	102	The Parks variance has worsened from the balanced position reported in Q3 to a £100K overspend. This adverse shift is mainly due to a higher than anticipated volume of essential tree works linked to the late billing of works. These costs are required to keep sites safe for the public and are unavoidable in nature. These additional costs have been funded from reserves in 2025/26. As mitigation against the cost pressures, spend on materials and equipment was being limited to only strictly necessary items towards the latter part of the year and non-essential works were scaled back.	1,464
Leisure	(888)	(959)	(71)	Leisure finished off the year £70K better than the Q3 position indicated as the Q3 forecast was based on the worst-case scenario around the swimming pool demobilisation, which turned out not to be the case.	(890)
Other Variances	1,778	1,710	(68)	Minor variances	1,820

Budget Area	2025/26	2025/26	Variance	Reason for Variance	Q3 Forecast
Regeneration, Customer & Commercial Services	(2,186)	(511)	1,675		(1,244)
Customer Services	960	1,030	70	Variances related to redundancy costs following a restructure at the management level and additional temporary staff taken on during the new waste contract roll out.	994
BEAM	(200)	964	1,164	<p>At Q3, BEAM was forecasting a £458K pressure which has significantly worsened to £1.17M at the year end. The £708K adverse movement is mainly due to the re-allocation of future year receipts which were not properly taken into account at Q3. The overall shortfall is as a result of much lower than anticipated income receipts across the Cinema (£283K shortfall), Theatre (£773K shortfall) and Hire (£46K shortfall) revenue streams, coupled with over-optimistic income targets. The catering offering was also launched later than planned, which had a knock-on effect on income receipts for the first half of the year.</p> <p>It had always been anticipated during the course of the year that the level of income generated would fall short of the £4.81M target set in the original business plan. That notwithstanding, BEAM also has significant fixed costs equating to £1.7M which serve as a major contributor to the pressure before any income has been generated.</p> <p>As mitigation, BEAM are preparing a revised business plan to be put forward to members in 2026/27.</p>	258
Parking	(3,353)	(3,005)	348	<p>The Parking shortfall is marginally more favourable than the position reported in Q3, with the 2 main cost pressures being:</p> <ol style="list-style-type: none"> 1. £236K relating to business rates on the 3 multi-storey car parks 2. £213K relating to the cleansing contract <p>As mitigation, the business rates budget has been increased in 26/27. There have also been a number of appeals submitted to the VOA for review.</p>	(2,955)
Other Variances	407	500	93	Minor variances	459
Finance, Risk & Performance	5,065	5,240	175		4,719
Shared IT service	2,971	2,907	(64)	ICT registered an underspend of £64K, linked to staffing vacancies.	2,851
Finance	2,094	2,333	239	There was an overspend against the budgets for housing benefits in year, this has been funded from reserves in 2025/26.	1,868
Capital Salaries	(164)	(98)	66	Lower use of capital funding towards salary costs in year.	(16)
Total Variances	15,757	18,165	2,407		16,665

Capital Outturn Quarter 4 -March 2026

	Revised Budget	Forecast Outturn	Variance	Forecast Carry Forward
	2025/26	2025/26	2025/26	2025/26
	£'000	£'000	£'000	£'000
Land and Buildings				
Investment in operational assets	392	-	(392)	392
Depot upgrades	681	223	(458)	50
Hertford Theatre (BEAM)	311	18	(293)	81
Old River Lane - Town centre regeneration	205	138	(67)	67
S106 - Pinehurst Community Hall	180	-	(180)	-
Capital contingency- major projects	250	-	(250)	250
Infrastructure				
Bridges	38	33	(5)	-
Vehicles and Equipment				
Rolling programme to be utilised on ICT projects subject to ITSG review	399	61	(338)	-
BEAM - Website replacement	51	51	-	-
UKSPF - BEAM Solar Panels	60	-	(60)	60
UKSPF - Hartham Decarbonisation	50	3	(47)	47
Refuse & Recycling - cleansing vehicles	6,130	6,138	8	-
Refuse & recycling - containers	1,680	1,476	(204)	-
Transformation Programme	500	213	(287)	-
Community Assets				
Hertford Castle Grounds - Development Phase - HLF	270	-	(270)	-
Parks & Open Spaces	79	9	(70)	70
Revenue Expenditure Funded as Capital Under Statute (REFCUS)				
Warmer Homes - WH:LG	319	95	(224)	-
UKSPF - Various	290	130	(160)	125
Affordable Housing	40	40	-	-
Current Capital Programme Budget Total	11,925	8,628	(3,297)	1,142

Capital Outturn Quarter 4 - March 2026

	Revised Budget	Outturn	Variance	Carry Forward	Commentary
	2025/26	2025/26	2025/26	2025/26	
	£'000	£'000	£'000	£'000	
Land and Buildings					
Investment in operational assets	392	0	(392)	392	
Depot upgrades	681	223	(458)	50	EV infrastructure @ Buntingford depot. Additional £10k contingency at Buntingford completed. Planning application for structural changes at Amwell was unsuccessful. Officers to seek alternatives opportunities.
Hertford Theatre - BEAM	311	18	(293)	81	Outstanding S278 works (£81k). Figures not yet known but should still be within budget. Expenditure against BEAM IT & Bridge was funded from alternative budgets, to ensure no further overspends here.
Old River Lane - Town centre regeneration	205	138	(67)	67	Public square design work by Cityheart. Estimate £59k
S106 - Pinehurst Community Hall	180	0	(180)	0	Community Hall transferred to external charity organisation. Some S106 funds spent on purchase of new projector & screen equipment & internal improvements.
Capital contingency - Major projects	250	0	(250)	250	
Infrastructure					
Bridges	38	33	(5)	0	£5k savings achieved at Hartham Bridge repairs
Vehicles, Equipment and Intangible Software					
Rolling programme to be utilised on ICT projects subject to ITSG review	399	61	(338)	0	Various Hardware / Software inc Advance/ E5 upgrade (£14.4k)
BEAM Website	51	51	0	0	NEW BEAM website aiming to launch early Feb'26. Outturn is £9k over budget.
UKSPF - BEAM Solar Panels	60	0	(60)	60	Likely to carry forward
UKSPF - Hartham Decarbonisation	50	3	(47)	47	Likely to carry forward
Refuse & Recycling - cleansing vehicles	6,130	6,138	8	0	3rd Tranch invoice expected before year end
Refuse & recycling - containers	1,680	1,476	(204)	0	3rd Tranch invoice expected before year end
Transformation Programme	500	213	(287)	0	Revs & Bens (£63k); Waste integrations (£55k); Waste (94.5k)
Community Assets					
Hertford Castle Grounds - Development Phase - HLF	270	0	(270)	0	NLHF funding secured for phase 2. All expenditure for 2025/26 now treated as revenue.
Parks & Open Spaces	79	9	(70)	70	S106 project spend not actioned this financial year and likely to fall to next.

Revenue Expenditure Funded as Capital Under Statute (REFCUS)					
Warmer Homes - WH:LG	319	95	(224)	0	
UKSPF - Various	290	130	(160)	125	Some schemes now treated as revenue
Affordable Housing	40	40	0	0	
Current Capital Programme Budget Total	11,925	8,628	(3,297)	1,142	

Agenda Item 12

East Herts Council Report

Audit and Governance Committee

Date of meeting: Tuesday 30 June 2026

Report by: Councillor Carl Brittain – Executive Member for Financial Sustainability

Report title: Annual Governance Statement 2025/26

Ward(s) affected: (All Wards);

Summary – The Accounts and Audit Regulations 2015 require that all authorities conduct a review of the effectiveness of the system of internal controls and prepare an Annual Governance Statement (AGS) each year. The AGS must be considered separately from the Statement of Accounts.

The Annual Governance Statement report for 2025/26 is being presented for consideration.

RECOMMENDATIONS FOR AUDIT & GOVERNANCE COMMITTEE:

- a) That Members review and comment on the Annual Governance Statement for 2025/26.

1. Proposal(s)

- 1.1. That Members review and comment on the AGS for 2025/26.

2. Background

- 2.1. The Council is responsible for preparing and publishing its AGS in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA).
- 2.2. This fulfils the statutory requirement that local authorities review their governance arrangements at least once a year.
- 2.3. The Delivering of Good Governance in Local Government Framework requires local authorities to be responsible for ensuring that:

- (a) their business is conducted in accordance with all relevant laws and regulations.
- (b) Public money is safeguarded, properly accounted for and used economically, efficiently and effectively.
- (c) There is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities.

2.4. The AGS acts as a vehicle for the review of the Council's governance arrangements. The review should be reported both internally within the Council, to the Audit and Governance Committee and externally within published accounts to provide assurances that:

- (a) Governance arrangements are adequate and operating effectively in practice; or
- (b) Where reviews of the governance arrangements have revealed gaps, action is planned that will ensure effective governance in the future.

2.5. The process of preparing the governance statement should itself add value to the corporate governance and internal controls framework of the Council.

2.6. It is important to recognise that governance statement covers all significant corporate systems, processes, and controls for all the Council's activities.

2.7. The Annual Governance Statement is attached as Appendix A, for Members to review and comment on.

3. Reason(s)

3.1. As part of the framework of good governance, it is important that management and Members can demonstrate that governance issues are acted upon and the implementation of recommendation is monitored.

4. Options

4.1. Members can suggest amendments or additions to the 2025/26 Annual Governance Statement.

5. Risks

5.1. The timely implementation of governance recommendations will reduce the risks to the Council.

6. Implications/Consultations

6.1. Leadership Team have been consulted on the AGS and have provided confirmation that appropriate controls have been in place in their service areas throughout the year.

Community Safety

None

Data Protection

Part of the AGS is to consider how effectively the council is meeting its duties in relation to data protection.

Equalities

Part of the AGS is to consider how effectively the council is meeting its duties in relation to equalities.

Environmental Sustainability

No

Financial

Part of the AGS is to consider how effectively the council is meeting its duties in relation to financial control, budgeting, and medium-term resource planning.

Health and Safety

Part of the AGS is to consider how effectively the council is meeting its duties in relation to health and safety.

Human Resources

Part of the AGS is to consider how the Council's Officers and Members behave ethically and how the council plans its workforce over the medium term.

Human Rights

None

Legal

The Accounts and Audit Regulations 2015 stipulates that all authorities must conduct a review of the effectiveness of the system of internal control and prepare an Annual Governance Statement each financial year. Part of the AGS specifically considers how the council complies with the law.

Specific Wards

None

7. Background papers, appendices and other relevant material

7.1. Appendix A – Annual Governance Statement 2025/26

Contact Member Carl Brittain, Director for Financial Sustainability

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Annual Governance Statement 2025/26



1. Scope of Responsibility

East Herts Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. East Herts Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, East Herts Council is responsible for ensuring arrangements are in place for the good governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

East Herts Council has approved and adopted a Code of Corporate Governance which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government 2016.

This statement explains how East Herts Council has complied with the Code and also meets the requirements of Regulation 6 of the Accounts and Audit (England) Regulations 2015 in relation to the publication of a statement on internal control.

2. The Purpose of the Governance Framework

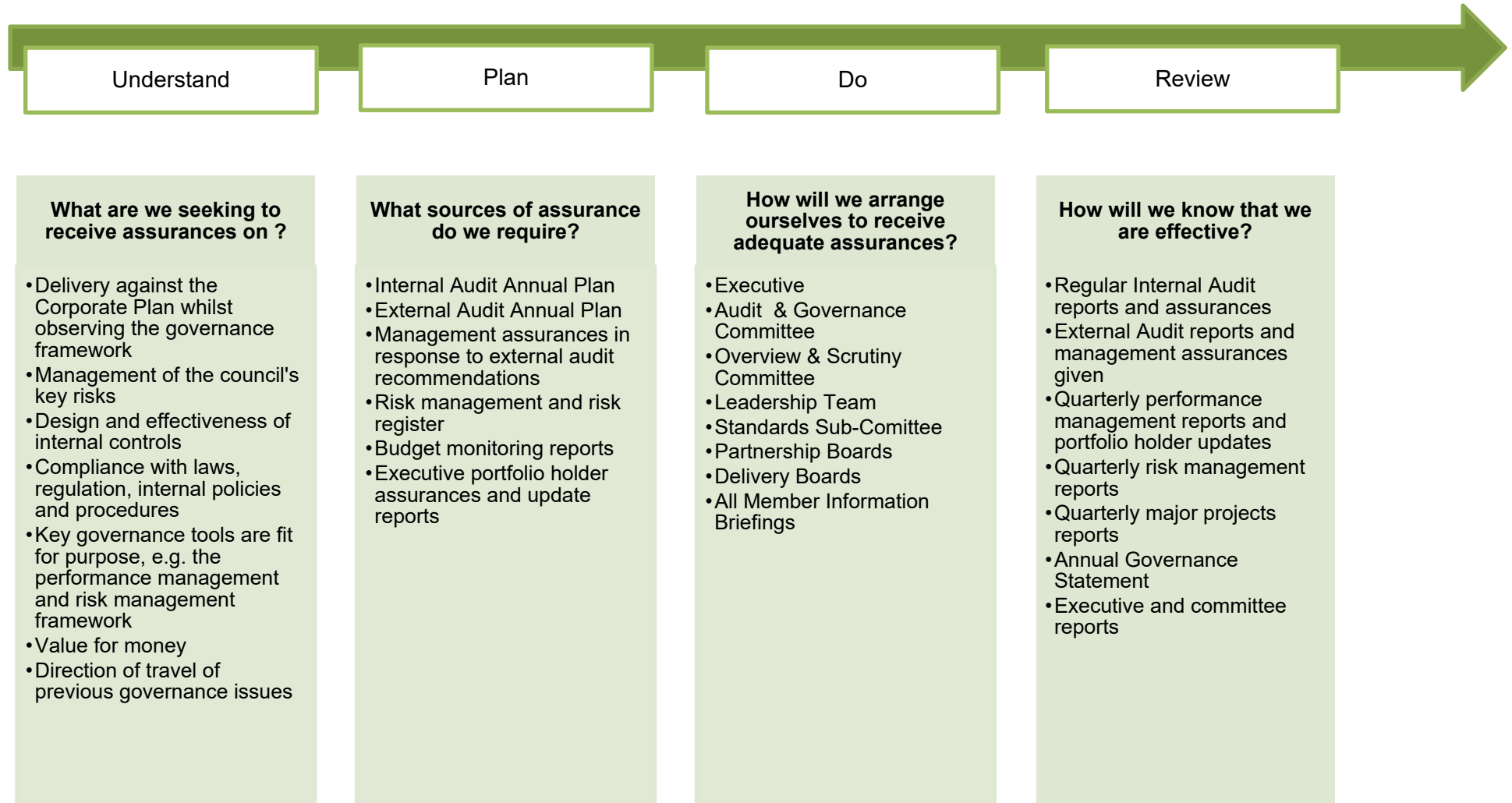
The governance framework comprises the cultures, values and systems and processes by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate cost-effective services and value for money. The overall aim is to ensure that:

- resources are directed in accordance with agreed policy and according to priorities.
- there is sound and inclusive decision making; and
- there is clear accountability for the use of those resources to achieve desired outcomes for service users and communities.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable assessment/assurances of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of East Herts Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at East Herts Council for the year ended 31 March 2026 and up to the date of approval of the statement of accounts.

3. Assurance Cycle



4. The Governance Framework

**Achieving the Intended Outcomes
While Acting in the Public Interest at all Times**



Source: CIPFA/SOLACE Core Principles of Governance 2016

Good Governance Principle	East Herts Council's Compliance & Supporting Evidence
<p>Principle A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.</p> <p>Local government organisations are accountable not only for how much they spend, but also for how they use the resources under their stewardship. This includes accountability for outputs, both positive and negative, and for the outcomes they have achieved. In addition, they have an overarching responsibility to serve the public interest in adhering to the requirements of legislation and government policies. It is essential that, as a whole, they can demonstrate the appropriateness of all their actions and have mechanisms in place to encourage and enforce adherence to ethical values and to respect the rule of law.</p>	<p><u>Behaving with integrity</u></p> <ul style="list-style-type: none"> • Members sign a commitment to comply with the Code and undergo induction on expected behaviour standards. Performance appraisals and related party transaction declarations are conducted, and action is taken on Local Government Ombudsman (LGO) complaints. • The Corporate Plan, approved by the Council, sets the operating direction and organisational values and are cascaded into Service Plans and reflected in individual appraisal goals. • Members are trained on the code of conduct requirements, and declarations are made and recorded at meetings, which are conducted according to values. • The Standards Sub-Committee delivers training sessions and promotes good conduct. Elected Members must be trained before serving on Planning and/or Licensing Committees. Effective anti-fraud and anti-corruption policies are in place, and up-to-date registers of interests, gifts, and hospitality for Members and staff are maintained, with annual completion of Related Party Transactions. <p><u>Demonstrating Strong Commitment to Ethical Values</u></p> <ul style="list-style-type: none"> • Whistleblowing policies protect individuals, and a complaints policy is reported annually to the Executive. Policies are managed through a corporate performance management system for timely review, communication, training, and are published online for transparency. • The code of conduct requires interest declarations, with meeting minutes showing declarations and legal implications identified in reports. Good ethical governance is championed by Members, particularly through the Executive, the Standards Sub-Committee, the Monitoring Officer, and the Leadership Team. The Audit & Governance Committee oversees and promotes good governance, with clear mechanisms for reporting or referral to the Monitoring Officer. Ethical awareness training, including thorough Code of Conduct training, is provided. The procurement policy includes good governance and ethical conduct, with a requirement to declare conflicts of interest and robust processes ensuring transparency, fairness, and equal treatment. <p><u>Respecting the Rule of Law</u></p>

Good Governance Principle	East Herts Council's Compliance & Supporting Evidence
	<ul style="list-style-type: none"> • Partnership Guidelines and reviews are in place, and the Procurement Strategy shows a commitment to local businesses and SMEs. The Council adheres to Bribery and Anti-Corruption policies, ensuring confidentiality of information, with data protection requirements built into contract specifications. The Constitution and statutory guidance are followed, assessed through internal and external audit, overseen by the Audit & Governance Committee. Legal implications are identified in all Executive and committee reports, and job descriptions comply with CIPFA's Statement on the Role of the Chief Financial Officer in Local Government (CIPFA, 2016). The CFO reports directly to the Chief Executive, attends Leadership Team meetings, and influences material decisions through advice on corporate reports, budget monitoring, and financial strategy. The CFO is supported by a team ensuring sound financial governance. • Executive reports document legal advice and implications, and the general power of competence is used where appropriate. The Monitoring Officer leads on ethical governance and compliance with the law, with the decision-making process incorporating this. The legal team provides in-house advice, and statutory teams operate effectively. Anti-fraud and anti-corruption policies are regularly updated and incorporated into contracts. An assurance mapping exercise by Internal Audit improves detection likelihood. The grievance and disciplinary code for officers is in place, with the Monitoring Officer at a senior level. The Standards Sub-Committee is experienced, and a 360 appraisal of managers adds an additional layer of challenge, with an annual appraisal review assessing competencies and behaviours.
<p>Principle B Ensuring openness and comprehensive stakeholder engagement Local government is run for the public good; organisations therefore should ensure openness in their</p>	<p><u>Transparency and Accessibility</u></p> <ul style="list-style-type: none"> • Quarterly performance reports against the Corporate Plan. • The Freedom of Information publication scheme and the Information Governance Team's input on FOI requests ensure that exemptions are not unreasonably applied, promoting transparency.

Good Governance Principle	East Herts Council's Compliance & Supporting Evidence
<p>activities. Clear, trusted channels of communication and consultation should be used to engage effectively with all groups of stakeholders, such as individual citizens and service users, as well as institutional stakeholders</p>	<ul style="list-style-type: none"> • Data Protection Information Charter and compliance with the General Data Protection Regulation 2016 and Data Protection Act 2018 ensure transparent and secure data handling. • Transparency web pages and the website publishing clear and accessible information make it easy for the public to access important information. • The Annual Public inspection and publication of the Statement of Accounts online. • Webcasting of all Committee meetings , along with meetings are open to the public to attend, and record of decision making and supporting materials ensures that all decisions are documented and accessible. • Forward Plan promotes community interest in democracy by publishing the report schedule, as well as calendar of dates for submitting, publishing, and distributing timely reports ensures that information is shared openly and promptly. • Monitoring reports on the effectiveness of communications output, including social media usage, ensure transparency in how the council communicates with the public. <p><u>Comprehensive Stakeholder Engagement</u></p> <ul style="list-style-type: none"> • Stakeholder engagement is achieved through public consultations on new policies, development applications, and annual budgets. • The Listening Council Strategy ensures residents' and stakeholders' views are considered during decision-making. Specific consultations with underrepresented groups and Community Engagement Strategies for projects like Harlow and Gilston Garden Town ensure inclusive participation. The Listening Strategy has a specific focus on face-to-face engagement and dialogue with communities and this has been actively pursued for the Parking Strategy (face to face meetings in 6 towns across the district), Old River Lane (several town centre meetings and drop-in sessions for residents) as well as for Development Forums on strategic sites. • Regular meetings with government advisors on issues like homelessness and online databases of residents who register to be kept informed about planning policy ensure ongoing engagement.

Good Governance Principle	East Herts Council's Compliance & Supporting Evidence
	<ul style="list-style-type: none"> The Council also recently completed an external assessment against Customer Service Excellence accreditation criteria. This was positive overall with full compliance in 46 of 57 key lines of enquiry, and partial in the remaining 11. Work is planned over 2026/27 in order to achieve full accreditation.
<p>Principle C Defining outcomes in terms of sustainable economic, social, and environmental benefits.</p> <p>The long-term nature and impact of many of local government's responsibilities mean that it should define and plan outcomes and that these should be sustainable. Decisions should further the authority's purpose, contribute to intended benefits and outcomes, and remain within the limits of authority and resources. Input from all groups of stakeholders, including citizens, service users, and institutional stakeholders, is vital to the success of this process and in balancing competing demands when determining priorities for the finite resources available.</p>	<ul style="list-style-type: none"> The Council District Plan was adopted in 2018 and sets out the framework to deliver a sustainable development. The plan will aim to provide new homes, new jobs, new facilities and infrastructure across the district. The Council Corporate Plan "LEAF" was approved February 2024 and is available online setting out the Council's four key themes: <ul style="list-style-type: none"> Listening, open and transparent Environmentally focussed Acting with the community Fair and inclusive Progress against performance indicators is tracked monthly by the Council's Leadership Team and an annual report summarises the Council's achievements over the past year against the LEAF priorities. A Medium-Term Financial Plan (MTFP) is the Council's key General Fund financial planning document and sets out the Council's strategic approach to the management of the General Fund including Council Tax levels, capital funding and treasury management. This strategy underpins the Council's key priorities for East Herts. The main aim is to facilitate the Council in achieving the outcomes by setting out MTFS principles, which generates the need for financial security targets, identifies financial pressures and any additional resources for priorities to ensure it has a financial sustainability plan.

Good Governance Principle	East Herts Council's Compliance & Supporting Evidence
	<ul style="list-style-type: none"> • The Council has a five-year Capital Programme to show how the Council determines its priorities for capital investment. All capital schemes are regularly reviewed. • Service plans, quarterly budget and performance monitoring reports, and risk management practices, including training and assessments, ensure effective operations. • External Audit reports provide assurance on resource use, while Executive reports address competing community demands. Information on how Council Tax is spent is issued annually with tax bills. • The Council has a Treasury management strategy, and an Asset Management Plan to support its financial and asset management. Reports on decision-making, mandatory training for committees, and a consultation and community engagement diary ensure informed and inclusive governance. • The Communications Strategy and customer service strategy, along with a 24/7 website offering online services and specific reception times in Hertford and Bishop's Stortford, enhance accessibility and transparency. Clear policies explain the Council's processes and what customers can expect, further promoting openness and accountability.
<p>Principle D Determining the interventions necessary to optimise the achievement of the intended outcomes. Local government achieves its intended outcomes by providing a mixture of legal, regulatory, and practical interventions. Determining</p>	<p><u>Determining interventions</u></p> <ul style="list-style-type: none"> • Decision makers receive objective and rigorous analysis of a variety of options, including risks, to ensure best value in service provision. This includes options appraisals within key decision reports, consideration of legal, financial, and HR implications, and individual risk assessments on larger projects. • All Executive reports are available for consideration at Overview & Scrutiny and Audit & Governance Committee. • Feedback from citizens and service users is considered when making decisions about service improvements or discontinuations, prioritizing competing demands within

Good Governance Principle	East Herts Council's Compliance & Supporting Evidence
<p>the right mix of these courses of action is a critically important strategic choice that local government has to make to ensure intended outcomes are achieved. They need robust decision making mechanisms to ensure that their defined outcomes can be achieved in a way that provides the best trade-off between the various types of resource inputs while still enabling effective and efficient operations.</p>	<p>limited resources, including people, skills, land, and assets, while bearing in mind future impacts.</p> <ul style="list-style-type: none"> • Consultation outcomes are incorporated within key Executive and Council reports, with specific consultations being part of the annual budgeting process. • A complaints process is in place to gather and address feedback. <p><u>Planning interventions</u></p> <ul style="list-style-type: none"> • The Council establishes and implements robust planning and control cycles, including a calendar of meetings, annual work programmes for Audit & Governance and Overview & Scrutiny Committees, and an Executive Forward Plan. • An internal audit programme is delivered by the Shared Internal Audit Service, with findings reported to the Audit & Governance Committee and Leadership Team. • The Council engages with internal and external stakeholders through a communication strategy and initiatives like East Herts Together. • Risks are considered and monitored collaboratively, with risk management reports, Executive report risk identification, and specific project risk registers. • Arrangements are flexible and agile, with report cycles allowing adaptation to changing priorities. • Key performance indicators (KPIs) are established for the Corporate Plan and service plans, with regular financial performance measurement through quarterly budget meetings and reports. • The Council ensures capacity for regular service quality reviews, supported by an online performance management system, quarterly performance reports, and online access to performance data for members. • Budgets are prepared in alignment with organisational objectives, strategies, and the Medium Term Financial Plan, with regular budget monitoring and reporting.

Good Governance Principle	East Herts Council's Compliance & Supporting Evidence
	<ul style="list-style-type: none"> • Medium and long-term resource planning is informed by realistic revenue and capital expenditure estimates, supported by the Medium Term Financial Plan and Capital Strategy reports to the Executive and Audit & Governance Committee. <p><u>Optimising achievement of intended outcomes</u></p> <ul style="list-style-type: none"> • Ensuring the Medium Term Financial Plan integrates and balances service priorities, affordability, and other resource constraints, with annual budget consultation and Audit and Governance Committee Reports. • Ensuring the budgeting process is all-inclusive, taking into account the full cost of operations over the medium and longer term, through a full and detailed budgeting exercise, both capital and revenue, and Internal and External Audit review. • Ensuring the Medium Term Financial Plan sets the context for ongoing decisions on significant delivery issues or responses to changes in the external environment during the budgetary period to achieve outcomes while optimizing resource usage. This includes identifying a plan for savings, moving the financial system to the cloud, further budget reductions from additional income following the Fees and Charges Policy and the Commercial Strategy, assurance from external auditor reports, monthly tracking of savings and budgets, and quarterly budget reporting to elected members. • Ensuring the achievement of 'social value' through service planning and commissioning, as stated in the Public Services (Social Value) Act 2012. This involves identifying social value in the procurement strategy (revised in 2025), assessing social value as part of the award process under procurement, and setting Social Value Policy and Priority Themes, Outputs, and Measures.
<p>Principle E Developing the entity's capacity, including the capability of its</p>	<p><u>Developing the entity's capacity</u></p> <ul style="list-style-type: none"> • Reviewing operations and performance use of assets regularly to ensure their continuing effectiveness, including the Assets Strategy, Asset Management Group monthly reviews, and the Commercial Strategy.

Good Governance Principle	East Herts Council's Compliance & Supporting Evidence
<p>leadership and the individuals within it</p> <p>Local government needs appropriate structures and leadership, as well as people with the right skills, appropriate qualifications and mind-set, to operate efficiently and effectively and achieve their intended outcomes within the specified periods. A local government organisation must ensure that it has both the capacity to fulfil its own mandate and to make certain that there are policies in place to guarantee that its management has the operational capacity for the organisation as a whole. Because both individuals and the environment in which an authority operates will change over time, there will be a continuous need to develop its capacity as well as the skills and experience of the leadership of individual staff members. Leadership in local government entities is strengthened by the participation of people with many different types of backgrounds, reflecting the structure and diversity of communities.</p>	<ul style="list-style-type: none"> Improving resource use through techniques such as benchmarking, LGA Peer Review on services, External Audit Use of Resources Statement, and local benchmarking exercises at the service level. Recognising the benefits of partnerships and collaborative working, with a significant commitment to partnership working and joint working/shared services. Developing and maintaining an effective workforce plan to enhance the strategic allocation of resources, including the review of the workforce development plan and strategy, and a commitment to apprenticeships. <p><u>Developing the capability of the entity's leadership and other individuals</u></p> <ul style="list-style-type: none"> The Council ensures that elected and appointed leaders negotiate their roles early and maintain a shared understanding of roles and objectives. This is supported by job descriptions for lead Members and Officers in the Constitution, a shared understanding between the Leader and Chief Executive (CE), and an Officer Member protocol. The Council specifies the types of decisions that are delegated and those reserved for collective decision-making. This includes the Constitution, Scheme of Delegation, Financial Procedure Rules, and individual reports for major projects to ensure transparency, especially for new projects. The Council clearly defines and distinguishes the leadership roles of the Leader and CE. The CE leads strategy implementation and service delivery, supported by a job description for the CE and a role profile for the Leader in the Constitution. The Council ensures access to appropriate induction tailored to roles for Members and staff, provides ongoing training and development matching individual and organisational requirements, facilitates regular meetings between the Executive and Leadership Team, offers Senior Leadership Training & Development, conducts annual staff appraisals and an annual training programme for Members, commits to apprenticeships and supports professional qualifications, provides bespoke training at committees and community leadership discussions led by the Portfolio Holder, supports Members through Democratic Services and offers a Member training

Good Governance Principle	East Herts Council's Compliance & Supporting Evidence
	<p>programme, offers officer training including professional training, continuing professional development, and management and leadership training, and reviews internal audit reports on governance and workforce monitoring reports to the Executive.</p> <ul style="list-style-type: none"> • The Council implements the Listening Council Strategy, conducts residents' satisfaction surveys and regular user satisfaction surveys, and maintains a Statement of Community Involvement (SCI) for consultation during planning policy development and review. • The Council is open to constructive feedback from peer reviews and inspections, publishes member attendance records and an annual training plan, and participates in appropriate Peer Reviews. • The Council conducts regular performance reviews, annual performance appraisals, and probationary appraisals, develops a staff development plan within the appraisal process, implements a capability procedure and a sickness procedure, and holds routine Service Team Meetings and 1:1 Meetings. • The Council enforces Conditions of Service and Health and Safety policies, provides an Employee Assistance Programme with a Confidential Helpline, offers support through Mental Health First Aiders and a Workplace Health Scheme Monthly Programme, and implements council policies supporting employees, such as bereavement.
<p>Principle F Managing risks and performance through robust internal control and strong public financial management Local government needs to ensure that the organisations and governance structures that it oversees have implemented, and can sustain, an effective</p>	<p><u>Managing risk</u></p> <ul style="list-style-type: none"> • The Council recognises that risk management is an integral part of all activities and must be considered in all aspects of decision making. Risk management is specifically reported to the Executive and Audit and Governance Committee on a quarterly basis. • The Council conducts risk assessments on larger projects to identify and mitigate potential risks. • The Council implements robust and integrated risk management arrangements and ensures they are working effectively. This includes having a risk management strategy

Good Governance Principle	East Herts Council's Compliance & Supporting Evidence
<p>performance management system that facilitates effective and efficient delivery of planned services. Risk management and internal control are important and integral parts of a performance management system and crucial to the achievement of outcomes. Risk should be considered and addressed as part of all decision-making activities. A strong system of financial management is essential for the implementation of policies and the achievement of intended outcomes, as it will enforce financial discipline, strategic allocation of resources, efficient service delivery, and accountability. It is also essential that a culture and structure for scrutiny is in place as a key part of accountable decision-making, policy making and review. A positive working culture that accepts, promotes and encourages constructive challenge is critical to successful scrutiny and successful delivery. Importantly, this culture does not happen automatically, it requires repeated public commitment from those in authority.</p>	<p>and policy, an annual internal audit plan, and incorporating risk management within individual project plans, such as those for elections.</p> <ul style="list-style-type: none"> • The Council has an Emergency Plan and Business Continuity Plan in place, with regular reviews of risks specific to emergencies, such as the Covid-19 pandemic. Regular exercises are conducted to test the Emergency Plan, Business Continuity Plan, Disaster Recovery, and Cyber Security. • The Council ensures that responsibilities for managing individual risks are clearly allocated. Risks are assigned to responsible owners, and there are named officers for key areas such as Health and Safety, Data Protection, Emergency Planning, and Business Continuity. <p><u>Managing performance</u></p> <ul style="list-style-type: none"> • The Council monitors service delivery effectively, including planning, specification, execution, and independent post-implementation review. This is supported by departmental service plans which are reviewed regularly, senior leadership ownership of specific Corporate Plan outcomes, performance monitoring, benchmarking, and transparency pages on the website. • The Council makes decisions based on relevant, clear objective analysis and advice, pointing out the implications and risks inherent in the organisation's financial, social, and environmental position and outlook. This is facilitated by a report template to the Executive and Committees that includes specific sections for analysis, options, risk, finance, and other relevant considerations. Agendas are published at least 5 days in advance, and decision notices and minutes are published after meetings. • The Council ensures an effective scrutiny or oversight function is in place, which encourages constructive challenge and debate on policies and objectives before, during, and after decisions are made. This enhances the organisation's performance and that of any organisation for which it is responsible. The Constitution defines the roles and responsibilities of the Overview & Scrutiny Committee and Audit and Governance Committee, with annual work programmes for those committees and regular training sessions for committee members pertinent to that committee and the wider business and functions of the council.

Good Governance Principle	East Herts Council's Compliance & Supporting Evidence
	<ul style="list-style-type: none"> • The Council provides members and senior management with regular reports on service delivery plans and progress towards outcome achievement. This includes an annual timetable/calendar of meetings, work programmes/forward plans for the Executive and Committees, senior leadership ownership of specific Corporate Plan outcomes, and an annual Budget and Tax Setting report to the Executive. • The Council ensures consistency between specification stages (such as budgets) and post-implementation reporting (e.g., financial statements). This is supported by Financial Procedure Rules, annual accounts and Statement of Accounts, and external auditor reports. <p><u>Robust internal control</u></p> <ul style="list-style-type: none"> • Aligning the risk management strategy and policies on internal control with achieving the objectives, supported by an Internal Audit Plan and regular reports from Internal Audit to the Audit and Governance Committee. • Evaluating and monitoring the authority's risk management and internal control on a regular basis through quarterly risk management reports, risk management training for Members and officers, Internal Audit Review of Effectiveness, Annual Governance Statement, and External Audit Annual Report. • Ensuring effective counter fraud and anti-corruption arrangements are in place, including an anti-fraud and anti-corruption policy, whistleblowing policy, Shared Anti-Fraud Service, acquisition and use of specialist data analysis software to detect fraud and corruption, regular reports to the Audit and Governance Committee on counter fraud activity, and Shared Anti-Fraud Service fraud risk evaluation of all business grants applied for as a consequence of Covid-19. <p><u>Strong public financial management</u></p> <ul style="list-style-type: none"> • Ensuring financial management supports both long-term achievement of outcomes and short-term financial and operational performance, with clear links between the Corporate Plan, Medium Term Financial Plan, and subsequent reporting on outcomes.

Good Governance Principle	East Herts Council's Compliance & Supporting Evidence
	<ul style="list-style-type: none"> • Implementing an Asset Management Strategy. • Ensuring well-developed financial management is integrated at all levels of planning and control, including management of financial risks and controls, with an embedded financial management process covering the process from beginning to end. • Reviewing the financial management process through External Audit.
<p>Principle G Implementing good practices in transparency, reporting, and audit to deliver effective accountability. Accountability is about ensuring that those making decisions and delivering services are answerable for them. Effective accountability is concerned not only with reporting on actions completed, but also ensuring that stakeholders are able to understand and respond as the organisation plans and carries out its activities in a transparent manner. Both external and internal audit contribute to effective accountability.</p>	<p><u>Implementing good practice in transparency</u></p> <ul style="list-style-type: none"> • The Council uses a consistent, accessible reporting style with supporting evidence providing more detail for those who require it. Web pages give key information and the ability to drill down to specific documents and background papers for those requiring detail. • The Council produces an annual performance report. • The Council provides regular internal audit reports to the Audit and Governance Committee. <p><u>Implementing good practices in reporting</u></p> <ul style="list-style-type: none"> • The Council produces an annual performance report that supplements quarterly performance and budget reports, receives annual reports from the External Auditor, obtains a value for money opinion, and prepares a Statement of Accounts. Internal audit reports also comment on value for money implications where applicable. • The Council ensures that Members and senior management own the results by having clearly defined roles for the Executive portfolio holder, Audit and Governance Committee, and Overview and Scrutiny Committee. Portfolio holders present reports at Executive meetings and have regular briefings with officers. • The Council prepares an Annual Governance Statement. The Council also ensures that the Framework is applied to jointly managed or shared service organisations as appropriate, supported by shared service legal agreements. • The Council ensures that performance information accompanying the financial statements is prepared on a consistent and timely basis, allowing for comparison with other similar organisations. This is supported by benchmarking and reported annually

Good Governance Principle	East Herts Council's Compliance & Supporting Evidence
	<p>to the Executive and Overview & Scrutiny Committee, including end-of-year performance.</p> <p><u>Assurance and effective accountability</u></p> <ul style="list-style-type: none"> • The Council incorporates management comments and responses as part of the reports from both Internal and External Audit. This includes the Annual Opinion on the Control Environment report from Internal Audit, compliance with CIPFA's Statement on the Role of the Head of Internal Audit (2019), and compliance with Public Sector Internal Audit Standards. • The Council conducts an annual review of the effectiveness of internal audit, which is reported to the Audit and Governance Committee. This is complemented by the Annual Governance Statement Action Plan and follow-up, as well as an Executive report on outcomes and recommendations/action plans arising from reviews. • The Council engages in self-challenging activities through entry for various awards and nominations as a finalist. This is part of the broader effort to maintain transparency and accountability, which also includes the preparation of an Annual Governance Statement, risk management reports, and performance reports. • The Council specifies the requirement for performance information to management in contract specifications. This ensures that performance is monitored and reported effectively, with proportionate governance arrangements in place for partnership working and Service Level Agreements for some community grants to ensure that outcomes are measurable and delivered.

5. Review of Effectiveness

East Herts Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Leadership Team, the Monitoring officer, and the Chief Finance Officer (Director for Finance, Risk and Performance), who have responsibility for the development and maintenance of the governance environment, and also by comments made by the external auditors and other review agencies and inspectorates. The following processes have been applied in maintaining and reviewing the effectiveness of the governance framework:

Council

Council is responsible for approving the budget and policy framework, which includes the Corporate Plan and the Constitution.

Executive

Executive has approved the Council's performance management framework. Executive also approves the risk management policy and receives quarterly reports on risk management, and budget monitoring.

Audit and Governance Committee

This Committee undertakes the core functions of an Audit Committee and approves the annual Internal Audit Plan, receives quarterly monitoring reports updating them on progress against that plan. It also receives the external auditor's annual audit letter, annual governance report, annual plan and grant claim certification report. It reviews the risk management policy and receives quarterly reports on risk management. The Committee has lead oversight responsibility for corporate governance, risk management and other internal control issues. It also leads the cross Member scrutiny and consideration of the budget. The Audit & Governance Committee also reviews the Constitution.

Standards Sub-Committee

This Sub-Committee undertakes a proactive role in relation to the promotion of the ethical conduct framework. It has also published documents to inform the public about its role, the importance of good ethical conduct in the area, and the high standards of conduct evident in the District. A new framework for dealing with ethical governance has been adopted by the county and the district and borough councils in Hertfordshire in order to maintain a level of consistency across the geographical area, particularly in relation to twin-hatted Members. The Standards Sub-Committee has put in place arrangements for dealing with complaints, conduct investigations and hearing allegations.

Overview & Scrutiny Committee

The Overview & Scrutiny Committee reviews performance across all services delivered by the Council and partner organisations, and the impact they have on the District and its communities.

Chief Finance Officer (Director for Finance, Risk and Performance)

The Chief Finance Officer (CFO) has been designated as the s151 Officer. That officer maintains the statutory powers to report to Executive or Council on any proposals, decision or omission that gives rise to any unlawful expenditure. The CFO also has clearly defined responsibilities for Risk Management, Internal Control, and systems and processes for financial administration and control, which are set out in the Financial Procedure Rules.

Monitoring Officer

The Director for Legal Policy and Governance has been designated as the Monitoring Officer. The Monitoring Officer has the specific duty, contained within Section 5 of the Local Government and Housing Act 1989, to ensure that the Council, its officers, and its Elected Councillors, maintain the highest standards of conduct in all they do. The role of the Monitoring Officer is:

- To report on matters he/she believes are, or are likely to be, illegal or amount to maladministration;
- To be responsible for matters relating to the conduct of Councillors and officers; and
- To be responsible for monitoring and reviewing the operation of the Constitution, to ensure that the aims and principles of our Constitution are given full effect.

With effect from 2026/27, the Monitoring Officer function will be assumed by the Director for Communities following the departure of the Director for Legal, Policy and Governance, ensuring continuity of statutory oversight and governance arrangements.

Internal Audit

The internal control system comprises the whole network of systems established within the Council to provide reasonable assurance that corporate objectives will be achieved, with particular reference to:

- The effectiveness of operations
- The economic and efficient use of resources
- Compliance with applicable policies, procedures, laws and regulations
- The safeguarding of assets and interests from losses of all kinds, including those arising from fraud, irregularity and corruption
- The integrity and reliability of information, accounts and data
- Effective monitoring systems and optimum use of performance management information

6. Internal Audit Annual Assurance Statement 2025/26

Extracted from Section 2 of the SIAS 2025/26 Annual Assurance Statement and Internal Audit Annual Report (the full report went to Audit and Governance committee on Tuesday 30th June 2026).

Assurance opinion on internal control

Based on the internal audit work undertaken at the Council in 2025/26, SIAS can provide the following opinion on the adequacy and effectiveness of the Council’s control environment.

Overall Assurance Opinion	Element	Opinion	Definition of Opinion
Reasonable Assurance	Design of Control	Reasonable Assurance	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
	Operation of Control	Reasonable Assurance	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.

The Reasonable assurance opinion overall on the Council’s systems (Reasonable assurance provided in 2024/25) has been concluded from the 23 audits undertaken during 2025/26. In respect of assurance reviews, 9 received a Substantial Assurance opinion, 8 received a Reasonable Assurance opinion and 2 received a Limited Assurance opinion (4 advisory reviews did not include an assurance opinion).

In respect of the two audits receiving Limited assurance (Old River Lane & Homelessness), we concluded that this did not materially impact on our overall opinion as the related audit findings were specific to the individual area subject to audit, as opposed to suggesting wider control issues across the Council as a whole.

Scope of responsibility

Council managers are responsible for ensuring Council business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently, and effectively. They are also responsible for ensuring internal controls are robust and risk management arrangements are appropriate.

Control environment

accepted that it is not possible to eliminate it. A robust control environment helps ensure that the Council's policies, priorities, and objectives are achieved.

Review of effectiveness

The Chief Audit Executive (CAE) must confirm annually that the internal audit function is suitably qualified to carry out the work that informs the assurance opinion. This includes that the CAE maintains and enhance their own qualifications and competences. SIAS can confirm that the service is suitably resourced and qualified to undertake its work, including the qualifications and competences of the CAE.

As part of our Quality Assurance and Improvement Programme (QAIP), an internal quality self-assessment was conducted to review our conformance with the Global Internal Audit Standards (GIAS).

Based on the results of the 2025/26 GIAS self-assessment completed in April 2026, the CAE has concluded that SIAS 'generally conforms' with the GIAS (UK Public Sector).

The self-assessment identified one area of continued agreed non-conformance. This relates to the Boards (Audit Committee) role in the appointment, removal, performance management and remuneration of the CAE, this reflecting the unique nature of a shared service or partnership arrangement. A further seven areas were also highlighted within the self-assessment where, whilst we assessed our current processes followed the principles of the GIAS, improvements could be made to the documentary evidence available to support independent verification of compliance.

The GIAS also requires that the SIAS be subject to an external quality assessment (EQA) at least once every five years. This should be conducted by a qualified, independent assessor or assessment team from outside the organisation. The last review was completed in June 2021, with the result of the assessment reported to the Audit & Governance Committee in October 2021. The next EQA is scheduled for quarter 4 2025/2026.

Confirmation of independence of internal audit and assurance on limitations

The SIAS QAIP includes both internal and external monitoring and reporting to assess the efficiency and effectiveness of internal audit activity and identify opportunities for improvement. The Head of Assurance confirms that during 2025/26 SIAS operated according to its QAIP, with evidence available within the service to support the achievement of each element.

The CAE confirms that during the year:

- a) No matters threatened SIAS's independence; and
- b) SIAS was not subject to any inappropriate scope or resource limitations.

SIAS has concluded that the corporate governance and risk management frameworks substantially comply with the CIPFA/SOLACE best practice guidance. This conclusion is based on the work undertaken by the Council and reported in its Annual Governance Statement for 2025/26 and audits carried out by the SIAS.

A handwritten signature in black ink, appearing to be 'Jen' followed by a long horizontal stroke.

Client Audit Manager

May 2026

7. Governance Issues – Key recommendations

The following governance issues, comments and recommendations have been extracted from the External Auditors (Azets) report 'Auditor's Annual Report financial year ending 31 March 2025.

Key improvement areas	Lead Officer	Update from management
<p>Finance Function Workflow Review - Conduct a comprehensive review of the finance function workflow to identify bottlenecks in the flow of information and the completion of key finance tasks.</p> <p>Use the findings to redefine roles and responsibilities within the finance team, ensuring an equitable distribution of workload and preventing any single individual from being overburdened.</p>	Director for Finance, Risk & Performance	On-going - Following a review of the team and service, a proposed restructure was presented to Leadership Team and approved on 10 February. Work is now progressing on recruitment to a number of vacant posts. In the interim, agency staff are supporting where necessary to ensure sufficient capacity within the team
<p>Quality Assurance Issues - Implement a thorough review of the quality assurance process for draft accounts and underlying workpapers.</p> <p>Establish clear timelines for the closedown process, ensuring appropriate segregation of duties between those preparing and those reviewing the draft accounts and workpapers.</p> <p>Monitor adherence to this process and report performance to the Audit and Governance Committee</p>	Director for Finance, Risk & Performance	On-going – The quality assurance process for the draft 2024/25 accounts has started with recent accounts reviewed by the CFO prior to publications. Timetable for the 2025/26 closedown is in place and further improvements – such as formal review checks and weekly oversight meetings – are being implemented to ensure proper segregation of duties and ongoing monitoring.
<p>Finance Team Capacity - The Council should re-assess roles, responsibilities, and resource</p>	Director for Finance, Risk	On-going - Following a review of the team and service, a proposed restructure was presented to Leadership Team and

Key improvement areas	Lead Officer	Update from management
requirements for financial reporting across the Council, including an assessment of the support required from other functions within the organisation for the financial reporting function to meet its objectives and to restore timely financial reporting in accordance with the requirements of the Accounts and Audit (Amendment) regulations 2024.	& Performance	<p>approved on 10 February. Work is now progressing on recruitment to a number of vacant posts. In the interim, agency staff are supporting where necessary to ensure sufficient capacity within the team.</p> <p>The 2024/25 draft accounts and final audited accounts were completed within the timescales prescribed by Government for the first time in a number of years.</p>
Financial Resilience and LGR – Members should ensure all current decisions support the best interest of the future unitary council and residents, and do not undermine the anticipated benefits of savings or unitarization.	Leadership Team & Executive	<p>Members and management are ensuring that decisions taken ahead of LGR are in the best interests of the future unitary authority and local residents. Financial and strategic decisions are being considered in the context of their longer-term impact to avoid undermining the anticipated benefits savings of unitarization.</p>
Financial Resilience and LGR – Members should ensure all current decisions support the best interest of the future unitary council and residents, and do not undermine the anticipated benefits of savings or unitarization.	Leadership Team & Executive	<p>The Council MTFP remains focused on maintaining balanced budgets through to the final year of operation. Assumptions are kept under review to ensure the Council transition to the new unitary body with the strongest possible financial position.</p>
Financial Resilience and LGR – Members should take any further actions necessary to strengthen financial resilience, so the new unitary body begins operation on a robust and sustainable footing.	Leadership Team & Executive	<p>Management continues to consider whether additional actions can be taken to strengthen financial resilience ahead of transition. This includes opportunities to reduce ongoing pressures, limiting reliance on temporary funding and ensuring known or anticipated transition related costs are appropriately planned for.</p>
Financial Resilience and LGR – Members, particularly Audit Committee members, should ensure prudent financial governance by using reserves appropriately, maintaining adequate reserve levels, and setting balanced budgets through to the final year of the Council.	Leadership Team & Executive	<p>Reserves are reviewed regularly to ensure they remain at prudent levels and are used only for their intended purposes. Any use of reserves is subject to appropriate Members approval and transparent reporting.</p>

Key improvement areas	Lead Officer	Update from management
		Balanced budgets continue to be set in line with statutory requirement and the Audit & Governance Committee receives regular updates on the Council's financial position, reserve usage and financial resilience through to the final period of account.
LGR: capacity and skills – The Council should assess whether the Council has the necessary skills and capacity to support LGR, identify any gaps, and take action to mitigate risks during and after the transition.	Leadership Team & Executive	Management recognises that LGR will place additional demands on capacity and skills and may increase the risk of losing key staff and corporate knowledge. Skills and capacity are being reviewed to identify any gaps, with mitigating actions such as training or temporary support considered where required.
Capital programme – The Council should ensure it understands the causes of slippage in the capital programme and takes action to strengthen capital programme management, budgeting and forecasting.	Directors for Finance, Risk & Governance and Communities	<p>Management recognises the importance of minimising slippage in the capital programme. More robust challenge and oversight of capital planning, profiling and delivery is being provided through the officer Asset Management Group.</p> <p>It is also noted that the capital programme is reducing in scale going forward, which should support improved deliverability and more realistic forecasting.</p>

The following recommendations are follow-up of prior recommendations that are included within the External Auditors (Azets) report 'Auditor's Annual Report financial year ending 31 March 2025:

Key improvement areas	Lead Officer	Update from management
<u>Financial resilience risks</u> Reserves - The minimum level of reserves and the current levels of reserves in the context the financial risks currently faced by the Council.	Director for Finance, Risk & Performance	Completed - The CFO, as part of the 2026/27 budget-setting report, carried out a full review of all reserves to assess the levels available and determine whether existing reserves are adequate. The outcome confirmed that the Council has sufficient reserves to accommodate identified risks and is therefore comfortable with the overall level of reserves.

Key improvement areas	Lead Officer	Update from management
Savings Plan - A Robust savings plans are put in place and delivered to ensure spend is contained within the budget and planned savings are delivered on timely basis.	Director for Finance, Risk & Performance	Completed - The latest MTFP, covering up to 2028/29, shows a balanced position and incorporates a number of savings which the CFO considers to be achievable.
Financial management – to mitigates the further use of reserve balances to support the revenue budget in the medium term.	Director for Finance, Risk & Performance	On-going - The 2026/27 budget incorporates several previously identified pressures, easing future reliance on reserves. BEAM remains the key exception, with a contingency in place pending the outcome of the business plan review.
Finance peer review - Actions to address the findings from the Finance Peer Review.	Director for Finance, Risk & Performance	On-going - Update to Audit & Governance in November on the progress of the recommendations that came out of the Finance Peer Review and the Statutory Recommendations made by the previous External Auditors EY.
Minimum revenue provision - A review of its MRP policy and calculation to ensure its fully compliant with statutory requirements and guidance.	Director for Finance, Risk & Performance	Completed - As part of the 2026/27 budget, a review of the Minimum Revenue Provision (MRP) has been completed. The CFO confirms that prudent levels have been set aside, and this review will continue to form part of the annual.
Improving economy, efficiency and effectiveness - The Council is actively looking at asset disposals to reduce borrowing and make MRP savings. Whilst these actions, in isolation, make sense, the Council will now also need to be mindful of the Local Government Reorganisation.	Director for Finance, Risk & Performance and Director of Communities	On-going - The Council will continue to review its assets and to determine the best value for those assets, whether it is to dispose, use or lease out. Each asset will go through a business case to determine the best value for the Council and residents.

8. Certification

To the best of our knowledge, the governance arrangements, as defined above have been effectively operating during the year except for those areas identified in Sections 7. We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for the improvements that were identified during the review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Cllr Ben Crystal

Leader of the Council

Date:

Helen Standen

Chief Executive

Date:

Agenda Item 13

East Herts Council Report

Audit and Governance Committee

Date of meeting: Tuesday 30 June 2026

Report by: Councillor Car Brittain – Executive Member for Financial Sustainability

Report title: Strategic Risk Register Quarter 4 2025/26

Ward(s) affected: (All Wards);

Summary – This report provides the Committee with the corporate risk register for Quarter 4 of 2025/26 and sets out how East Herts manages these risks.

RECOMMENDATIONS FOR AUDIT AND GOVERNANCE COMMITTEE:

- a) The 2025/26 quarter four corporate risk register and actions being taken to control and mitigate risk be considered and noted.

1. Background

- 1.1. The Leadership Team reviews the content of the corporate risk register quarterly and provides updates that are relayed within this monitoring report to Audit & Governance Committee.
- 1.2. The Corporate Risk Register is attached at Appendix A. The format concentrates on key risks and is very focussed on control and mitigation actions.

2. Risk Register results for quarter 4

- 2.1. Leadership Team has set a risk tolerance level. Risks above the tolerance level are actively managed and regularly reviewed to ensure that contingency and mitigation action is being taken. Risks below the tolerance line are managed by Services. Services are responsible for keeping all risks under review and taking action to reduce the impact of the risk on the Council.

Impact	Likelihood				
		1	2	3	4
	A				
	B		9	10	1, 2, 6
	C		3, 4, 7	8	
D		5			

Table 1 – Risk scores

2.2. Details of how risks are scored can be found below. Appendix A shows the comprehensive breakdown of each risk.

Likelihood	Score	Description	Likelihood of occurrence	Probability of occurrence	
	4	High	Monthly	The event is expected to occur or occurs regularly	
	3	Medium	Annually	The event will probably occur	
	2	Low	1 in 5 years	The event may occur	
	1	Very Low	Less frequently than 1 in 5 years	The event may occur in exceptional circumstances	

Impact	Score	Description	Financial	Reputation	Service / operation
	A	Critical	> £1m p.a.	Serious negative media	Catastrophic fall in service quality or long-term disruption to services
	B	Significant	£400,000 to £1m p.a.	Adverse national media	Major fall in service quality or serious disruption to services
	C	Marginal	£100,000 to £400,000 p.a.	Adverse local media	Significant fall in service quality
	D	Minor	< £100,000	Public concerns restricted to local complaints	Little impact to service quality

Table 2 Methodology of corporate risk scoring

- 2.3. The risk scores reflect control and mitigation measures (Residual scores) rather than the Inherent (before any action is taken to control) scores.
- 2.4. A new corporate risk relating to Local Government Reorganisation (LGR) has been added to the Corporate Risk Register (Risk 10). This reflects the increasing focus at a national level on structural reform and the potential implications for District Councils. The risk captures the financial, governance and service delivery uncertainties associated with LGR, including the potential for additional one-off costs, pressure on organisational capacity, and disruption to service delivery during any transition period. In developing this risk, consideration has been given to views expressed by Members at the last meeting in February, where it was felt that Risk 9 should be enhanced to more explicitly reflect the impact on frontline service delivery arising from the demands placed on management time. The new risk therefore provides a broader and more explicit articulation of these impacts at a corporate level.
- 2.5. All other risks on the corporate risk register remain unchanged following this review.

3. Risk Training

- 3.1. Since the last report, targeted risk management training has been delivered to both officers and Members to strengthen understanding and application of the Council's risk framework. A dedicated morning session was held on 9 June 2026 for the Leadership Team and their direct reports. The session was designed to provide a practical understanding of the core principles of risk management, including identifying and articulating risks, assessing likelihood and impact, and ensuring that risk considerations are integrated into decision-making and service delivery. It also covered roles and responsibilities, the importance of embedding a positive risk culture, and what effective risk management looks like in practice.
- 3.2. This approach was mirrored in the Member training session held on 18 June 2026, which was open to all Members and mandatory

for those on the Audit & Governance Committee. Both sessions were important in strengthening a shared understanding of risk management across the organisation, supporting more effective scrutiny by Members and improving the quality and consistency of risk identification and reporting by officers. Collectively, this activity forms a key step in enhancing the Council's overall risk maturity and ensuring that risk management supports informed decision-making and good governance.

4. Implications/Consultations

Community Safety

None

Data Protection

The topic features within the corporate risk register.

Equalities

The topic features within the corporate risk register.

Environmental Sustainability

Climate change features within the corporate risk register.

Financial

Not specific but risk management can provide protection of budgets from unexpected losses. Better governance can be demonstrated, and the annual audit plan is risk based.

Health and Safety

Not specific but risk management can provide a safer environment across the District and all services for the benefit of the public, staff and our contractors.

Human Resources

None

Human Rights

None

Legal

Not specific but legal matters feature within the corporate risk register.

Specific Wards

None

5. Background papers, appendices and other relevant material

5.1. Appendix A - Corporate Risk Register

Contact Member Councillor Carl Brittain, Executive Member for Financial Sustainability

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Contact Officer Brian Moldon, Director for Finance, Risk and Performance

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Report Author Brian Moldon, Director for Finance, Risk and Performance

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Risk Reference Risk Title	Risk Owner	Impact	Likelihood	Likelihood reduction	Target Score	Impact Mitigation	Movement Direction	Residual Impact	Residual Likelihood	Progress Update
1 - Financial Resources - Expenditure exceeds the resources available to the Council, caused by continued reductions in external funding, increasing service demand, and inflationary pressures, which could lead to the s.151 Officer issuing a Section 114(3) notice, triggering a public interest report and significant financial and governance consequences.	Director for Finance, Risk and Performance	A	4	The Updated Medium Term Financial Plan (March 2026) sets out reductions in net expenditure to address ongoing real-terms reductions in Council funding. The annual savings plan has been refreshed, establishing new savings targets over the medium term. The Council continues to deliver efficiency improvements and modernise service delivery, including expanding digital access so customers can self-serve 24/7 and reducing reliance on more costly traditional channels. Non-essential capital expenditure has been reduced, and asset disposals have been approved to realise capital receipts that will be used to pay down debt.	B 3	A Section 114 report would require the appointment of Commissioners but may also enable access to Government support. CIPFA support is being sought ahead of reaching any Section 114 threshold to ensure robust financial oversight. Government support is being explored, although greater flexibility on capital receipts or borrowing could be counter-productive at this stage. A revised BEAM business plan is scheduled for further update in 2026/27.	← →	B	4	The savings schedule has been reviewed and updated within the 2026/27 Budget papers. Monthly budget monitoring meetings with the Leadership Team are ongoing. The updated Medium Term Financial Plan was presented to the February 2026 Executive. The asset disposal programme is continuing. The BEAM business plan is being drafted and will come to members in 2026/27.
2 - Climate Change - Lack of mitigation of and adaptation to climate changes (a) requires expenditure to amend services and/or (b) requires new services, both/either putting financial pressure on the council	Director for Communities	A	4	Declaration of Climate Emergency by Council Reducing carbon emissions from council operations - Climate Change Action Plan Building adaptation into service design Seeking to influence residents to reduce carbon footprint for the district	B 3	Adaption Plan Business Continuity Plan Severe Weather section Emergency Plan including specific response plans to flooding etc. Health and Safety Policy details severe weather response Works to Great Amwell depot site taking account of flood risk assessment.	← →	B	4	Increase in recognition that Amwell depot site still without planning permission despite earlier projected timeline Adaption risk assessment complete. All vehicles in council fleet now BEVs and in waste contract management that came in effect in May is using electric smaller vehicles and has switched from diesel to hydrotreated vegetable oil (HVO). Council's carbon emissions report, which includes a discussion of routes to net zero carbon, has been published.
3 - District Plan - District Plan not up to date leading to a developer led system, resulting in unsustainable, unplanned, piecemeal development across the district without the required supporting infrastructure such as roads, schools, healthcare facilities etc.	Director for Place	A	2	By Executive / Council Budget for evidence studies in place, including reserve. Evidence base updated in line with the National Planning Policy Framework and Planning Practice Guidance. Legal requirements including the Duty to Co-operate met.	C 2	Programme of work agreed for the preparation on the new District Plan. Resources in place to progress the new District Plan. Duty to Co-operate complied with. New District Plan is legally compliant and in conformity with the NPPF.	← →	C	2	Formal work on the new District Plan will start in 2026 under the new planning system. In the meantime, we have undertaken the following preparatory work: •Agreed a revised timetable for the preparation of the new District Plan in the form of a Local Development Scheme (LDS). The LDS sets out the key plan-making stages and timetable for the new District Plan and takes account of the Government's plan-making reforms. •Undertaken a Call for Sites - an opportunity for landowners, developers, agents and site promoters to submit sites which may be considered to have the potential for future development. •Produced an updated Statement of Community Involvement. •Developed a Strategic Vision to chart a clear and ambitious course for the district's future which will serve as the golden thread for the new District Plan, informing policies and decision-making that will shape East Herts in the years to come. Community Engagement on the Vision was planned to take place in September/October 2025, however, this has been postponed pending publication of the secondary legislation which will implement the LURA's plan-making provisions. •Commenced work on a District Design Code. •Started work on updating our evidence base including – Green Belt Review, Employment Land Review, Buntingford Employment Study 2025, Open Space and Sports Facilities Assessment, Village Hierarchy Study, LCWIP, Bishop's Stortford Employment Study 2026, and Strategic Flood Risk Assessment (SFRA). •Applied for New System Plan Funding. •Committed to publishing our notice of intention to commence local plan preparation by 30 June 2026. •Committed to publishing our Gateway 1 self-assessment by 31 October 2026.
4 - Key Contractor - A key major contractor of the council fails meaning that services stop altogether e.g the refuse contractor fails and streets are not swept and bins are not emptied	All Directors	C	3	Monitoring of major contractors for risks of business failure Parent Company Guarantee/Performance Bond Contract compliance procedure should note issues locally such as recruitment freeze or other issues that may indicate financial health issues with company	C 2	Business Continuity Plans Performance Bonds or parent company guarantee Undertaking of contract management	← →	C	2	Continued monitoring of positions. The new waste contract with Veolia is currently in mobilisation, and the Council will continue to monitor this as the new service is rolled out. Continue to provide contract management training to officers
5 - Governance - There is a governance failure caused by a lack of policies, procedures and internal controls leading to loss of legal cases on process and/or loss of assets	Director for Communities	B	4	All Executive, Committee and Council reports require sign off by legal and finance to ensure compliance with budget and policy framework and current legislation. List of policies maintained with review dates. Information Governance function strengthened to ensure compliance with data protection and Freedom of Information. Ensuring Equalities Impact Assessments are completed for all policies	D 1	In house legal staff in place with few vacancies therefore capacity available to address issues that arise unexpectedly. Internal audit provided by Shared Internal Audit Service using assurance mapping methodology which allows for all assurance levels to be seen and assessed. Monitoring Officer and s.151 officer work closely together and horizon scan for potential issues	← →	D	2	Minor amendments to Constitution to reflect legislation changes made. HR policies have been amended for legislative change. Member Constitution Working Group to be reformed. This will able a wider review of the Constitution to ensure good governance.
6 Ransomware attack deletes data - A successful ransomware attack would render the council's IT systems completely inoperative for an extended period. This would paralyze all council operations, preventing it from collecting revenues, calculating and paying benefits, paying staff and suppliers, and executing any regulatory or enforcement actions.	Director for IT	A	4	We patch all systems and have updated firewalls and anti-virus software for the network. Databases are moved, operating systems use support releases, and laptops are protected with AV and firewall systems. System access requires 2-factor authentication. Staff complete mandatory data protection and cyber security training.	B 3	Rubrik backs up our on-premises systems for a duration of 42 days. The most recent three backups are retained on the Rubrik appliance located in Daneshill, and all backups, including these three, are stored in the Rubrik Cloud Vault. Rubrik identifies indicators of compromise in our backups, allowing us to either revert to a clean backup (up to 42 days old) or recover the latest backup to an isolated network environment, remove the compromise, and then restore from the backup. We also maintain snapshots on the Pure arrays. A snapshot is created on the array volume every four hours, with all snapshots retained on the array volume for one week. Additionally, we keep a consolidated snapshot per day for an additional five days. This results in six snapshots per day, which are kept for five extra days beyond the current setup, totaling 42+5 (consolidated) snapshots.	← →	B	4	Our systems are currently undergoing scheduled updates as we transition business platforms to the New Vision system. We have successfully completed a £630k investment, modernising infrastructure with Windows 10/11, a VDI rollout, and next-generation firewalls. As part of our IT restructuring initiative, a dedicated cybersecurity team has been established to bolster our protective measures; however, ransomware threats cannot be entirely eliminated. Attempted cyberattacks on UK local authorities rose by 300% between 2022 and 2024.
7 - Major Data Breach - A major data breach of sensitive personal data occurs causing reputational damage and the Information Commissioner to fine the Council	Chief Executive	A	3	Mandatory staff training Laptop/mobile device security Confidential waste shredded	C 1	Mandatory staff training Data Protection and Privacy Statements Culture of reporting all breaches and learning from each breach	← →	C	2	The Cyber Police training course has been well received and uptake has been very high. IT will provide a half yearly update on any non compliance.
8 - Staff and skills - Recruitment and retention difficulties result in the lack of the right staff to deliver services leading to increased costs, service backlogs and failures. Staff are not necessarily skilled up to perform work in a digital environment and to work in an agile ways means that investment in systems and digital access channels is wasted.	Director for Place	B	4	Monitor recruitment activity, retention rates and impact on service delivery. Review of corporate learning and development programme in light of LGR. Commercial skills training requirements identified. Annual learning and development opportunities identified as part of the annual review process.	C 3		← →	C	3	A revised Leadership Team structure has been taken forward to ensure decision making is taken at the most efficient and cost effective level. New structure has been implemented and a further review is underway to apply the findings further down the organisation.
9 - Lack of election candidates - As LGR reaches a conclusion, and elections are held for the shadow authority, that the District Council experiences a scarcity of people willing to stand for election and serve as councillors at the District level, especially since the District Council would only have a limited time left until it ceased to exist.	Chief Executive	A	2	There has not been any suggestion that standing for election for the shadow authority would preclude a councillor from remaining as a councillor at District level. The risk would be reduced if the government were to legislate to do away with the need for elections at District level in 2027, which is when East Herts would next be going out to election. It is also unlikely that there would be no candidates at all willing to stand for election.	B 2	So long as the council is quorate, then a scarcity of candidates would not impact on the council's ability to conduct its business per se. Senior officers could speak with group leaders to ensure that they are identifying suitable candidates for any upcoming elections.	← →	B	2	Continued monitoring of position as the LGR programme reaches its conclusion.

Risk Reference	Risk Owner	Impact	Likelihood	Likelihood reduction	Target Score	Impact Mitigation	Movement Direction	Residual Impact	Residual Likelihood	Progress Update
<p>10 - Local Government Reorganisation - The Government's Local Government Reorganisation (LGR) programme results in structural changes to local authorities, creating uncertainty and placing significant demands on capacity. This may lead to additional one-off costs, disruption to service delivery, loss of key staff, reduced organisational focus on current priorities, and weakened financial resilience during the transition period.</p>	Chief Executive	A	3	<p>Active engagement in county-wide LGR discussions and programme development Representation on relevant boards / working groups Early financial planning through Medium Term Financial Plan (including provision for one-off costs) Workforce planning and organisational development to support transition Regular reporting to Leadership Team and Members</p>	B 3	<p>Maintain adequate reserves to manage one-off transition costs Clear programme governance arrangements for LGR activity Prioritisation of statutory and high-risk services during transition Communication strategy for staff and Members to support retention and stability</p>	New Risk	B	3	<p>The Council is continuing to monitor national policy developments relating to LGR and is engaging in county-wide discussions. Initial provision for potential one-off costs has been included within the Medium Term Financial Plan. Work is ongoing to assess the potential impact on services, staffing, and governance arrangements, although there remains significant uncertainty regarding implementation timelines and final structure.</p>

East Herts Council Report

Audit and Governance Committee

Date of meeting: Tuesday 30 June 2026

Report by: Councillor Martin Adams – Chair of Audit & Governance Committee

Report title: Audit and Governance Committee – Effectiveness Review 2026

Ward(s) affected: (All Wards);

Summary – This report provides an overview of the self-assessment exercise in relation to the Council’s Audit and Governance Committee. The assessment has been undertaken by the Chief Finance Officer, in line with guidance from the Chartered Institute of Public Finance and Accountancy (CIPFA), which advocates regular self-assessment as good practice. The report is now presented to the Committee to consider, comment on, and amend as appropriate, enabling members to confirm the level of compliance, gain an appreciation of best practice, and identify any areas for further improvement.

RECOMMENDATIONS FOR AUDIT AND GOVERNANCE COMMITTEE:

- a) Note and comment on the proposed self-assessment and evaluation of good practice for Audit & Governance Committee in Local Authorities as set out in the appendix B; and
- b) Confirm any actions required to ensure full compliance which will form the basis of future annual reports.

1. Proposal(s)

- 1.1. An Audit and Governance Committee has been in place at East Hertfordshire for many years and is at the cornerstone of providing scrutiny, challenge and demonstrating effective governance for its stakeholders. This report identifies the extent to which it has been in compliance against latest best practice. Actions to address any shortcomings are identified.

2. Background

- 2.1. The Chartered Institute of Public Finance and Accountancy (CIPFA) published its Position Statement: Audit Committees in Local Authorities and Police (2022), which sets out CIPFA's view of best practice in relation to the purpose, role, functions and membership of audit committees. The statement represents the standards that local government bodies are expected to make their best efforts to adopt. The CIPFA Position Statement is attached at Appendix A for reference.
- 2.2. CIPFA states that the purpose of an audit committee is to provide those charged with governance with independent assurance on the adequacy of the authority's governance, risk management and internal control arrangements, together with oversight of the integrity of financial reporting and the annual governance process.
- 2.3. While the Section 151 Officer has the statutory responsibility for ensuring sound financial management, CIPFA emphasises that an effective audit committee plays a critical role in providing independent support and constructive challenge in relation to governance, risk and financial reporting.
- 2.4. CIPFA identifies that effective audit committees are typically characterised by:
 - Members who are objective, independent, knowledgeable and appropriately trained.
 - A collective commitment to high standards of governance.
 - Strong and independently minded chairing.
 - An unbiased and apolitical approach.
 - The confidence and ability to provide challenge when require.
- 2.5. The appendix B to this report sets out the findings of a self-assessment against CIPFA's core good practice principles. This assessment has been completed by the Chief Finance Officer and is presented to the Committee for review, comment and challenge.

3. Next Steps

- 3.1. Members are asked to review the self-assessment set out in Appendix B. The assessment has been completed by the Chief Finance Officer and reflects his professional judgement and view of how the Audit & Governance Committee currently operates against the CIPFA position statement.
- 3.2. While this initial assessment provides a starting point, it is important that the Committee considers the responses, commentary and scoring in detail and amends them where necessary to ensure they accurately reflect members' own experience and understanding of how the Committee operates in practice.
- 3.3. Where Members agree with the scoring and commentary, no further action is required. However, where Members consider that an area is not yet fully compliant with the CIPFA position statement, the Committee is invited to identify:
 - whether it agrees that improvement is required; and
 - what actions would be necessary to achieve full compliance, including any changes to practice, training, reporting or terms of reference.
- 3.4. Subject to Members' views, the agreed actions will be drawn together into an action plan and monitored by the Committee to support continuous improvement and ongoing compliance with good practice.

4.0 Implications/Consultations

Community Safety

None

Data Protection

None

Equalities

None

Environmental Sustainability

None

Financial

None

Health and Safety

No

Human Resources

None

Human Rights

None

Legal

None

Specific Wards

None

5.0 Background papers, appendices and other relevant material

5.1 Appendix A – CIPFA Position Statement: Audit Committees, in Local Authorities and Police (2022 edition).

5.2 Appendix B – Audit Committee self-assessment of Effectiveness

Contact Member Martin Adams, Chair of Audit & Governance Committee

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Contact Officer Brian Moldon, Director for Finance, Risk & Performance

brian.moldon@eastherts.gov.uk

CIPFA's Position Statement: Audit Committees in Local Authorities and Police 2022

Scope

This position statement includes all principal local authorities in the UK, corporate joint committees in Wales, the audit committees for PCCs and chief constables in England and Wales, PCCFRAs and the audit committees of fire and rescue authorities in England and Wales.

The statement sets out the purpose, model, core functions and membership of the audit committee. Where specific legislation exists (the Local Government & Elections (Wales) Act 2021 and the Cities and Local Government Devolution Act 2016), it should supplement the requirements of that legislation.

Status of the position statement

The statement represents CIPFA's view on the audit committee practice and principles that local government bodies in the UK should adopt. It has been prepared in consultation with sector representatives.

CIPFA expects that all local government bodies should make their best efforts to adopt the principles, aiming for effective audit committee arrangements. This will enable those bodies to meet their statutory responsibilities for governance and internal control arrangements, financial management, financial reporting and internal audit.

The 2022 edition of the position statement replaces the 2018 edition.

The Department for Levelling Up, Housing and Communities and the Home Office support this guidance.

CIPFA's Position Statement 2022: Audit committees in local authorities and police

Purpose of the audit committee

Audit committees are a key component of an authority's governance framework. Their purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. The committee's role in ensuring that there is sufficient assurance over governance risk and control gives greater confidence to all those charged with governance that those arrangements are effective.

In a local authority the full council is the body charged with governance. The audit committee may be delegated some governance responsibilities but will be accountable to full council. In policing, the police and crime commissioner (PCC) and chief constable are both corporations sole, and thus are the individuals charged with governance.

The committee has oversight of both internal and external audit together with the financial and governance reports, helping to ensure that there are adequate arrangements in place for both internal challenge and public accountability.

Independent and effective model

The audit committee should be established so that it is independent of executive decision making and able to provide objective oversight. It is an advisory committee that has sufficient importance in the authority so that its recommendations and opinions carry weight and have influence with the leadership team and those charged with governance.

The committee should:

- be directly accountable to the authority's governing body or the PCC and chief constable
- in local authorities, be independent of both the executive and the scrutiny functions
- in police bodies, be independent of the executive or operational responsibilities of the PCC or chief constable
- have rights of access to and constructive engagement with other committees/functions, for example scrutiny and service committees, corporate risk management boards and other strategic groups
- have rights to request reports and seek assurances from relevant officers
- be of an appropriate size to operate as a cadre of experienced, trained committee members. Large committees should be avoided.

The audit committees of the PCC and chief constable should follow the requirements set out in the Home Office Financial Management Code of Practice and be made up of co-opted independent members.

The audit committees of local authorities should include co-opted independent members in accordance with the appropriate legislation.

Where there is no legislative direction to include co-opted independent members, CIPFA recommends that each authority audit committee should include at least two co-opted independent members to provide appropriate technical expertise.

Core functions

The core functions of the audit committee are to provide oversight of a range of core governance and accountability arrangements, responses to the recommendations of assurance providers and helping to ensure robust arrangements are maintained.

The specific responsibilities include:

Maintenance of governance, risk and control arrangements

- Support a comprehensive understanding of governance across the organisation and among all those charged with governance, fulfilling the principles of good governance.
- Consider the effectiveness of the authority's risk management arrangements. It should understand the risk profile of the organisation and seek assurances that active arrangements are in place on risk-related issues, for both the body and its collaborative arrangements.
- Monitor the effectiveness of the system of internal control, including arrangements for financial management, ensuring value for money, supporting standards and ethics and managing the authority's exposure to the risks of fraud and corruption.

Financial and governance reporting

- Be satisfied that the authority's accountability statements, including the annual governance statement, properly reflect the risk environment, and any actions required to improve it, and demonstrate how governance supports the achievement of the authority's objectives.
- Support the maintenance of effective arrangements for financial reporting and review the statutory statements of account and any reports that accompany them.

Establishing appropriate and effective arrangements for audit and assurance

- Consider the arrangements in place to secure adequate assurance across the body's full range of operations and collaborations with other entities.
- In relation to the authority's internal audit functions:
 - oversee its independence, objectivity, performance and conformance to professional standards
 - support effective arrangements for internal audit
 - promote the effective use of internal audit within the assurance framework.

- Consider the opinion, reports and recommendations of external audit and inspection agencies and their implications for governance, risk management or control, and monitor management action in response to the issues raised by external audit.
- Contribute to the operation of efficient and effective external audit arrangements, supporting the independence of auditors and promoting audit quality.
- Support effective relationships between all providers of assurance, audits and inspections, and the organisation, encouraging openness to challenge, review and accountability.

Audit committee membership

To provide the level of expertise and understanding required of the committee, and to have an appropriate level of influence within the authority, the members of the committee will need to be of high calibre. When selecting elected representatives to be on the committee or when co-opting independent members, aptitude should be considered alongside relevant knowledge, skills and experience.

Characteristics of audit committee membership:

- A membership that is trained to fulfil their role so that members are objective, have an inquiring and independent approach, and are knowledgeable.
- A membership that promotes good governance principles, identifying ways that better governance arrangement can help achieve the organisation's objectives.
- A strong, independently minded chair, displaying a depth of knowledge, skills, and interest. There are many personal skills needed to be an effective chair, but key to these are:
 - promoting apolitical open discussion
 - managing meetings to cover all business and encouraging a candid approach from all participants
 - maintaining the focus of the committee on matters of greatest priority.
- Willingness to operate in an apolitical manner.
- Unbiased attitudes – treating auditors, the executive and management fairly.
- The ability to challenge the executive and senior managers when required.
- Knowledge, expertise and interest in the work of the committee.

While expertise in the areas within the remit of the committee is very helpful, the attitude of committee members and willingness to have appropriate training are of equal importance.

The appointment of co-opted independent members on the committee should consider the overall knowledge and expertise of the existing members.

Engagement and outputs

The audit committee should be established and supported to enable it to address the full range of responsibilities within its terms of reference and to generate planned outputs.

To discharge its responsibilities effectively, the committee should:

- meet regularly, at least four times a year, and have a clear policy on those items to be considered in private and those to be considered in public
- be able to meet privately and separately with the external auditor and with the head of internal audit
- include, as regular attendees, the chief finance officer(s), the chief executive, the head of internal audit and the appointed external auditor; other attendees may include the monitoring officer and the head of resources (where such a post exists). These officers should also be able to access the committee members, or the chair, as required
- have the right to call on any other officers or agencies of the authority as required; police audit committees should recognise the independence of the chief constable in relation to operational policing matters
- support transparency, reporting regularly on its work to those charged with governance
- report annually on how the committee has complied with the position statement, discharged its responsibilities, and include an assessment of its performance. The report should be available to the public.

Impact

As a non-executive body, the influence of the audit committee depends not only on the effective performance of its role, but also on its engagement with the leadership team and those charged with governance.

The committee should evaluate its impact and identify areas for improvement.

East Hertfordshire District Council Audit Committee: Self-Assessment of Effectiveness

(Extract from CIPFA, Audit Committees: Practical Guidance for Local Authorities and Police, published October 2022)

CIPFA outlines that the checklist below provides a high-level review that incorporates the key principles set out in CIPFA's Position Statement on Audit Committees in Local Authorities, and broader practical guidance referred to above. Within the practical guidance CIPFA specifically states:

“Where an audit committee has a high degree of performance against the good practice principles, it is an indicator that the committee is soundly based and has in place a knowledgeable membership. These are the essential factors in developing an effective audit committee.

A regular self-assessment should be used to support the planning of the audit committee work programme and training plans. It will also inform the annual report.”

Good Practice Question		Does not comply	Partly Complies and extent of improvement needed			Fully Complies	Comment
			Major	Significant	Moderate		
Improvement needed						No further	
Weighting of Answers		0	1	2	3	5	
Audit Committee Purpose and Governance							
1	Does the authority have a dedicated audit committee that is not combined with other functions (e.g., standards, ethics, scrutiny)?					5	Yes
2	Does the Audit Committee report directly to the governing body - full council					5	Yes
3	Has the audit committee maintained its advisory role by not taking on any decision-making powers?					5	The Audit Committee's Terms of Reference only make provision for the Committee to approve the statutory statement of accounts.

4	Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFAs 2022 Position Statement?				3	<p>The updated Terms of Reference clearly set out the purpose, role and core functions of the A&G Committee and are broadly aligned with the CIPFA 2022 position statement. However, they do not explicitly reflect for separation from the scrutiny function. While no A&G Committee members sit on scrutiny, some substitute members do.</p> <p>Consideration for improvement - Review whether, given the Council committee structure, full alignment with CIPFA's requirement on independence from scrutiny is achievable.</p>
5	Do all those charged with governance and in leadership roles have a good understanding of the role and purpose of the committee?				5	<p>Yes - training is provided on the core functions, including annual Treasury Management training for the Committee. In addition, the composition of the Committee has remained stable over the past few years.</p>
6	Does the audit committee escalate issues and concerns promptly to those in governance and leadership roles?				3	<p>The Leader and the Portfolio Holder for Financial Sustainability attend each A&G meeting, providing a direct opportunity for issues to be raised, with established arrangements for matters to be formally reported to Council where wider consideration is required.</p> <p>Consideration for improvement - Reinforce, through member training and reporting arrangements, the chair ability to raise any concerns directly at Council, including through the</p>

						submission of A&G committee meeting minutes for noting.
7	Does the governing body hold the audit committee to account for its performance at least annually?				5	While this has not happened in the past, from 2025/26 an annual report will be submitted to Council summarising the work reviewed by the Committee.
8	Does the audit committee publish an annual report in accordance with the 2022 guidance, including:					
	• Compliance with the CIPFA position statement 2022				5	While this has not happened in the past, from 2025/26 an annual report will be submitted to Council summarising the work reviewed by the Committee.
	• Results of the annual evaluation, development work undertaken and planned improvements	0				
	• How has it fulfilled its terms of reference and the key issues escalated in the year?				5	
Functions of the Audit Committee						
9	Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's position statement as follows:					
	Governance arrangements				5	Yes
	Risk management arrangements				5	Yes

	Internal control arrangements, including. <ul style="list-style-type: none"> • Financial management • Value for money • Ethics and standards • Counter fraud and corruption 				3		The Audit Committee's ToR do not make explicit reference to ethics. Consideration for improvement - Consider amended wording in the ToR to include ethics
	Annual governance statement					5	Yes
	Financial reporting					5	Yes
	Assurance framework					5	Yes
	Internal Audit					5	Yes
	External Audit					5	Yes
10	Over the last year, has adequate consideration been given to all core areas?					5	Yes
11	Over the last year, has the committee only considered agenda items that align with its core functions, as set out in the 2022 guidance?					5	Yes

	Has the committee met privately with the external auditors and head of internal audit in the last year?	0					<p>The Audit Committee have not met in private with the external auditors or head of internal audit (Audit Manager).</p> <p>Consideration for improvement - Provide an opportunity for the Audit Committee to meet in private with both the external auditors and the Audit Manager at least once a year.</p>
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Membership and Support							
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13	Has the committee been established in accordance with the 2022 guidance as follows?						
	<ul style="list-style-type: none"> Separation from executive 				3		<p>The CIPFA position statement makes it clear that separation from the executive should include both Executive and Scrutiny functions. The make-up of the Audit Committee does not include any members of Executive or Scrutiny. However, within the substitutes there are a number of members that sit on the scrutiny Committee. During 2025/26 2 substitutes was used and on each occasion was not a member of scrutiny.</p>
	<ul style="list-style-type: none"> A size that is not unwieldy and avoids use of substitutes 				3		<p>Consideration for Improvement - to make all substitutes for A&G non-Executive and Scrutiny members.</p>

	<ul style="list-style-type: none"> Inclusion of lay/co-opted independent members in accordance with legislation or CIPFA's recommendation. 					5	A&G Committee has two co-opted independent members of the Committee
14	Have all committee members been appointed or selected to ensure a committee membership that is knowledgeable and skilled?					3	<p>The two co-opted members have a person specification, and qualifying criteria, and both appointments made after assessment of that criteria. The roles were publicly advertised, and competitive interviews held.</p> <p>In terms of voting members, they are selected from current serving elected members and the correct political balance is maintained.</p> <p>Consideration for improvement - Member development to be provided to enhance knowledge and skills.</p>
15	Has an evaluation of knowledge, skills and the training needs of the chair and committee members been carried out within the last two years?	0					<p>No formal evaluation of the knowledge, skills or training needs of the Chair and Audit Committee members has been carried out within the last two years. Training is provided on key areas, but this is not informed by a structured or documented skills assessment.</p> <p>Consideration for improvement - The Committee may wish to consider introducing a periodic evaluation of knowledge, skills and training needs to inform targeted development and support ongoing effectiveness in line with good practice</p>

16	Have regular training and support arrangements been put in place covering the areas set out in the 2022 guidance?					5	Regular training has been given to A&G Committee Members i.e. Internal Audit, Fraud, Treasury and Risk. Further training can be arranged where necessary.
17	Across the committee membership, is there a satisfactory level of knowledge, as set out in the 2022 guidance?						This is for the members to assess.
18	Is adequate secretariat and administrative support provided to the committee?					5	Yes
19	Does the committee have good working relations with key people and organisations, including external audit, internal audit and the CFO?					5	Yes Consideration for improvement - to have private meetings with Internal & External Auditors
Effectiveness of the Committee							
20	Has the committee obtained positive feedback on its performance from those interacting with the committee or relying on its work?					3	No formal feedback on the Committee's performance has been sought; however, no negative comments have been received. Consideration for improvement - The Committee may wish to consider the Chair reporting periodically to full Council on the Committee's work, providing an opportunity for wider member feedback.
21	Are meetings well chaired, ensuring key agenda items are addressed with a focus on improvement?					5	Yes - well established Chair
22	Are meetings effective with a good level of discussion and engagement from all the members?					5	Meetings are quorate and discussion is held around each item on the agenda with attending Officers and Portfolio Holders open to questions and able to respond immediately.

23	Has the committee maintained a non-political approach to discussions throughout?					5	Yes
24	Does the committee engage with a wide range of leaders and managers, including discussion of audit findings, risks and action plans with the responsible officers?					3	A&G Committee members are aware they can ask for Officers to attend Committee but have yet to request this. Risks and audit findings are discussed with the Audit Manager and Chief Finance Officer. Consideration for improvement - Consider whether risk owners and certain audit sponsors should be invited to attend A&G Committee.
25	Does the committee make recommendations for the improvement of governance, risk and control arrangements?					3	This has not been required as yet, but the option is available if needed.
26	Do audit committee recommendations have traction with those in leadership roles?					3	None have been made in the last year, though the Chief Finance Officer engages with A&G Committee Chair.
27	Has the committee evaluated whether and how it is adding value to the organisation?				2		Not previously; however, from 2025/26 an Annual Report will be presented to Council for information on the work undertaken by the Committee.
28	Does the committee have an action plan to improve any areas of weakness?					5	The Audit & Governance Committee monitors an action plan arising from the External Auditor's statutory recommendations from the 2021/22 audit. In addition, progress against the Finance Peer Review is reported regularly to the Committee.
29	Has this assessment been undertaken collaboratively with the audit committee members?					3	Although this initial assessment has been carried out by the Chief Finance Officer, who is relatively new to the organisation, it will be presented to the Audit & Governance Committee in

						June for member input and final agreement, ensuring that the Committee has ownership of the assessment.
	Subtotal Score	0	0	2	33	120
	Total Score (max score is 200 - 40 questions multiplied by 5)	155				

East Herts Council Report

Aud and Governance Committee

Date of meeting: Tuesday 30 June 2026

Report by: Brian Moldon, Director for Finance, Risk and Performance

Report title: Audit and Governance Committee Work Programme

Ward(s) affected: (All Wards);

Summary – This report presents the updated Finance and Audit Work Programme to the Audit and Governance Committee. It provides a summary of the business scheduled for consideration at each meeting throughout the current municipal year. The aim is to give Members a clear overview of the Committee’s forward plan.

RECOMMENDATIONS FOR AUDIT AND GOVERNANCE COMMITTEE:

- a) Approve the Finance and Audit Work Programme for the 2026/27 municipal year as outlined in the report.
- b) Identify any training requirements to support Members in fulfilling their roles effectively.

1. Proposal(s)

- 1.1. Audit and Governance Committee’s audit functions are:
 - 1.1.1. Approving the Council’s statement of accounts.
 - 1.1.2. Consider the effectiveness of the Council’s risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements.
 - 1.1.3. Seek assurances that action is being taken on risk-related issues identified by auditors and inspectors.
 - 1.1.4. Be satisfied that the Council’s assurance statements, including reviewing the Annual Governance Statement against the good governance framework, properly reflect the risk environment and any actions required to improve it.

- 1.1.5. Approve internal audit's strategy, its plan and monitor its performance.
 - 1.1.6. Approve the shared anti-fraud service strategy, its plan and monitor its performance.
 - 1.1.7. Review summary internal audit reports and the main issues arising and seek assurance that action has been taken where necessary.
 - 1.1.8. Receive the annual report of the head of internal audit.
 - 1.1.9. Receive and consider the reports of external audit (including the annual audit letter) and inspection agencies and monitor management action in response to the issues raised.
 - 1.1.10. Ensure that there are effective relationships between external and internal audit, inspection agencies and other relevant bodies and that the value of the audit process is actively promoted.
 - 1.1.11. Review the financial statements, external auditor's opinion and reports to Members, and monitor management action in response to the issues raised by external audit.
 - 1.1.12. Oversight of the Council's commercial projects.
-
- 1.2. The Committee's responsibilities in relation to finance include:
 - 1.2.1. Receiving budget monitoring and risk management reports.
 - 1.2.2. Leading cross-Member scrutiny of the Council's draft annual budget and Medium-Term Financial Plan.
 - 1.2.3. Scrutinising the Annual Investment Strategy, Annual Capital Strategy, Mid-Year Treasury Management Report, and Annual Treasury Management Report, and gaining assurance on the effectiveness of governance and control systems for Treasury Management.
 - 1.2.4. Supporting the Council and Executive, where appropriate, in developing the budget and policy framework through in-depth analysis of financial, procurement, and governance-related policy issues.
 - 1.2.5. Overseeing and scrutinising all Internal, Corporate, and Corporate Governance functions of the Council, where relevant to the Committee's audit or finance remit.

- 1.3. To support the Committee in fulfilling its functions, a series of reports will be presented to Members to provide assurance that:
 - 1.3.1. The Council's financial affairs are being properly managed, and resources are used effectively.
 - 1.3.2. An adequate and effective internal audit system is in place, and the approved plan is being delivered.
 - 1.3.3. Governance arrangements are robust and fit for purpose.
 - 1.3.4. Key business risks are identified, evaluated, and managed appropriately.
 - 1.3.5. Key systems and controls are operating effectively, providing assurance that the Statement of Accounts is materially correct and can be approved.
 - 1.3.6. External audit reports, including the Audit Plan, Audit Results Report, and Annual Audit Letter, are received and considered.
- 1.4. Budget Monitoring - Executive budget monitoring reports will be shared with the Committee for information, enabling comparison between forecast and final outturn positions.
- 1.5. Member Training - Training for Committee Members will be delivered either during the first 30 minutes of meetings or specific training sessions and will be aligned with the business scheduled for discussion.
- 1.6. Training Needs - Members are encouraged to review the proposed work programme and training schedule, and to identify any additional training needs.

2. Work Programme

- 2.1. The proposed work programme for the Audit and Governance Committee for the 2026/27 municipal year is set out in Appendix A.

3. Reason(s)

- 3.1. To ensure that Audit and Governance Committee is aware of the work programme and ensure that Members have the opportunity to request any training or briefing around upcoming items.

4. Risks

4.1. Risk Management is reported to the Committee regularly.

5. Implications/Consultations

Community Safety

None

Data Protection

Data Protection reports and policies will be brought before the Committee as appropriate.

Equalities

None

Environmental Sustainability

None

Financial

None

Health and Safety

Non

Human Resources

None

Human Rights

None

Legal

Legal requirements are noted in the report summaries in the table in this report.

Specific Wards

None

6. Background papers, appendices and other relevant material

6.1. Appendix A – updated work programme for 2026/27

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Report Author Brian Moldon, Director for Finance, Risk and Performance

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Committee	Author	Report Title	Report Summary
Audit & Governance Committee Jun-26	Michele Aves	Appointment of Vice- Chairman for 2026/27	Members will vote to appoint the Vice Chairman of the Committee
		Training:	Members are invited to nominate a training topic
	Azets	Audit Plan 2025/26	To present the external auditors audit plan for auditing the 2025/26 Statement of Accounts.
	Alison Street	Provisional Outturn 2025/26	To present to Audit and Governance Committee the provisional General Fund Revenue and Capital Outturn. The figures remain provisional until the external auditor has completed the audit.
	Brian Moldon	Noting draft Statement of Accounts 2025/26	Regulation 10 (1) of the Accounts and Audit Regulations 2015 requires the Statement of Accounts to be approved by a resolution of a committee of the Council, such approval to take place before 30 September immediately following the end of a year, or as soon as practicable after the conclusion of the audit.
	Sara Saunders	Leisure Annual Report	To present to Audit & Governance Committee an annual report on leisure so that the Committee can assure Council that the investment in new leisure centres is performing as per the business case and making a return to the council after servicing debt.
	Simon Martin	Annual Assurance Statement and Internal Audit Annual Report	To present to Audit and Governance Committee the Annual Report on Internal Audit Activity for the preceding financial year and the level of assurance on the financial systems. Regulation 6 of The Accounts and Audit Regulations 2015 require the Council, at least once a year, to conduct a review of the effectiveness of its internal audit.
	Ben Wood	BEAM Business Plan	To present to Audit & Governance Committee the BEAM Update including revised Business Plan
	Brian Moldon	Strategic Risk Register Monitoring Q4 2025/26	To present to Audit and Governance Committee the Strategic Risk Register Monitoring at the end of quarter 4.
	Brian Moldon	Effectiveness of the Audit Committee	To present an initial completion of the self assessment on the effectiveness of the Audit Committee for the members to review and update as necessary.
Brian Moldon	Audit and Governance Committee Work Programme	To present to Audit and Governance Committee an update on the work programme for the year.	

Committee	Author	Report Title	Report Summary
Audit & Governance Committee Sep-26		Training	Members are invited to nominate a training topic
	Nicola Munro	Treasury Management 2025/26 Outturn Report	To provide Audit and Governance Committee with a copy of the Treasury Management Outturn Report so that they can scrutinise the Report
	Alison Street	Financial Management 2026/27 – Quarter 1 Forecast to Year End	To provide Audit and Governance Committee with a copy for information of the Executive Report with the forecast position on revenue spending and the capital programme as at the end of quarter 1.
	Simon Martin	Shared Internal Audit Service Internal Audit Plan Progress Report	To present to Audit and Governance Committee the Shared Internal Audit Service's progress against the Internal Audit Plan 2026/27
	Nick Jennings	Shared Anti-fraud Service Anti-Fraud Plan progress report	To present to Audit and Governance Committee the Shared Anti-Fraud Service's progress against the Anti-Fraud Plan Annual Report 2026/27.
	Procurement	Annual Update	To present to Audit and Governance Committee annual update on Procurement
	Brian Moldon	Strategic Risk Register Monitoring Q1 2026/27 and Annual Review of Risk Management Strategy	To present to Audit and Governance Committee the Strategic Risk Register Monitoring at the end of quarter 1.
	Ben Wood	Assets of Community Value	To present to Audit & Governance Committee the Register of Assets of Community Value annual update report.
	Tyron Suddes	Data Protection Update	To present to Audit and Governance Committee the progress on data protection policies and practices.
	Brian Moldon	Review of Anti-Fraud and Corruption Policies	To review and approve a number of new policies around Anti-Fraud and Corruption.
Brian Moldon	Audit and Governance Committee Work Programme	To present to Audit and Governance Committee an update on the work programme for the year.	

Committee	Author	Report Title	Report Summary
Audit & Governance Committee Nov-26		Training: TBD	Members are invited to nominate a training topic
	Jackie Bruce	Annual Infrastructure Funding Statement Report 2025/26	To present to Audit and Governance Committee an update on Section 106 contributions and the council's Annual Infrastructure Funding Statement Report 2024/25
	Alison Street	Financial Management 2026/27 – Quarter 2 Forecast to Year End	To provide Audit and Governance Committee with a copy for information of the Executive Report with the forecast position on revenue spending and the capital programme as at the end of quarter 2.
	Nicola Munro	Treasury Management 2026/27 Mid-Year Review	To provide Audit and Governance Committee with a copy of the Treasury Management Mid-Year Review Report so that they can scrutinise the Report
	Brian Moldon	Strategic Risk Register Monitoring Q2 2026/27	To present to Audit and Governance Committee the Strategic Risk Register Monitoring at the end of quarter 2.
	Brian Moldon	Medium Term Financial Plan 2027-2032	To present the update Medium Term Financial Plan
	External Auditor	External Audit Planning Report and Annual Audit Report	To present to Audit & Governance Committee an update position on the 2025/26 Audit
	Simon Martin	Shared Internal Audit Service Internal Audit Plan Progress Report	To present to Audit and Governance Committee the Shared Internal Audit Service's progress against the Internal Audit Plan.
	Nick Jennings	Shared Anti-fraud Service Anti-Fraud Plan progress report	To present to Audit and Governance Committee the Shared Anti-Fraud Service's progress against the Anti-Fraud Plan.
	Matt Canterford	Cyber Security Update	To present to Audit & Governance Committee an update on the impact of Cyber Security for East Herts Council
Brian Moldon	Audit and Governance Committee Work Programme	To present to Audit and Governance Committee an update on the work programme for the year.	

Committee	Author	Report Title	Report Summary
Audit & Governance Committee	External Auditor	Approval of the Statement of Accounts 2025/26	Regulation 10 (1) of the Accounts and Audit Regulations 2015 requires the Statement of Accounts to be approved by a resolution of a committee of the Council, such approval to take place before 31 January immediately following the end of a year, or as soon as practicable after the conclusion of the audit.
Audit & Governance and Overview and Scrutiny Joint Committee Jan-27	Alison Street	Budget Scrutiny - Budget 2026/27 and Medium Term Financial Plan 2026-30	Executive Member for Financial Sustainability to present to Audit and Governance Committee the Executive's proposed General Fund Budget and Medium Term Financial Plan for scrutiny.
	Nicola Munro	Capital Strategy and Minimum Revenue Provision Policy 2026/27 for scrutiny	Executive Member for Financial Sustainability to present to Audit and Governance Committee the Executive's proposed Capital Strategy and Minimum Revenue Provision Policy for scrutiny.
	Nicola Munro	Investment Strategy 2026/27 for scrutiny	Executive Member for Financial Sustainability to present to Audit and Governance Committee the Executive's proposed Investment Strategy for scrutiny.

Committee	Author	Report Title	Report Summary
Audit & Governance Committee Feb-27	Alison Street	Financial Management 2025/26 – Quarter 3 Forecast to Year End	To provide Audit and Governance Committee with a copy for information of the Executive Report with the forecast position on revenue spending and the capital programme as at the end of quarter 3.
	Brian Moldon	Strategic Risk Register Monitoring Q3 2025/26	To present to Audit and Governance Committee the Strategic Risk Register Monitoring at the end of quarter 3.
	Brian Moldon	Audit and Governance Committee Work Programme	To present to Audit and Governance Committee an update on the work programme for the year.

Committee	Author	Report Title	Report Summary
Audit & Governance Committee Mar-27	Nick Jennings	Anti-Fraud Plan 2027/28	To present to Audit and Governance Committee the Shared Anti-Fraud Service Anti-Fraud Plan for the financial year 2026/27.
	Simon Martin	Internal Audit Plan 2027/28	To present to Audit and Governance Committee the Shared Internal Audit Service Audit Plan for the financial year 2026/27.
	Alison Street	Update to the 2026/27 Accounting Policies	To update the Accounting Policies for 2025/26 and subsequent years.
	Brian Moldon	Audit and Governance Committee Work Programme	To present to Audit and Governance Committee an update on the work programme for the year.

Members Training undertaken		
Nov-25	Shared Anti-Fraud Awareness Training	From SAFS our in-house service
Feb-26	Treasury Management Training	From external treasury advisors - Arlingclose
Jun-26	Risk Management Training	From external Risk Consultant

Statement of Accounts	Date for Publication of Draft SoA	Date for Audited Statement of Accounts	Dates when completed
2023/24	31/05/2024	28/02/2025	Accounts Published on 30 April 2025 - Signed off 1 October 2025
2024/25	30/06/2025	27/02/2026	Accounts published on 27 June 2025 - Signed off 26 February 2026
2025/26	30/06/2026	31/01/2027	
2026/27	30/06/2027	30/11/2027	
2027/28	30/06/2028	30/11/2028	