



# East Hertfordshire District Council

## Audit findings interim progress report

Year ended 31 March 2024

November 2024



## Your key team members

### **Paul Grady**

Key Audit Partner

[Paul.Grady@azets.co.uk](mailto:Paul.Grady@azets.co.uk)

### **Martha Charima**

Manager

[Martha.Charima@azets.co.uk](mailto:Martha.Charima@azets.co.uk)

### **Owen Jones**

In-Charge auditor

[Owen.Jones@azets.co.uk](mailto:Owen.Jones@azets.co.uk)

## TABLE OF CONTENTS

Introduction	3
Status of the audit	5
The 2023/24 audit	6
Our financial statements audit explained	8
The 2023/24 audit: planned procedures	9
The 2023/24 audit: possible further procedures	13
Value for money	16
Internal control recommendations	17
Independence and ethics	20

# Introduction

## **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.*

## **Purpose**

This paper provides the Audit and Governance Committee with a report on progress in delivering our responsibilities as your external auditors.

This Audit Findings interim progress report highlights the progress of the audit to date for the benefit of those charged with governance, as required by International Standard on Auditing (UK) 260 and the National Audit Office Code of Practice 2020 (the 'Code') and associated Auditor Guidance Notes. The contents of this report relate only to those matters which have come to our attention during the conduct of our normal audit procedures to date and have been discussed with management.

As auditors we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) (ISAs (UK)), which is directed towards forming and expressing an opinion on the financial statements that have been prepared on behalf of management with the oversight of those charged with governance. Under the Code we are also required to consider your arrangements for securing economy, efficiency and effectiveness in your use of resources and to report any significant weaknesses we identify. Where, as part of our testing, we identify control weaknesses, we will report these to you. However, our audit is not designed to test all internal controls or identify all areas of control weakness.

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.

As such, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify.

We would like to take this opportunity to record our appreciation for the kind assistance provided by your team during our audit.

# Introduction

*Under International Standards on Auditing (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice 2020 ('the Code') we are required to report whether, in our opinion:*

- The Council's financial statements give a true and fair view of the financial position of the Council and its income and expenditure for the period; and*
- The Council's financial statements, have been properly prepared in accordance with the CIPFA/ LASAAC Code of Practice on Local Authority Accounting in the UK (the 'CIPFA Code') 2023/24 and the Local Audit and Accountability Act 2014.*

*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 materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.*

## Council responsibilities

The Council has responsibility for:

- 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 its financial statements and related reports disclosures; and
- Ensuring the proper financial stewardship of public funds, complying with relevant legislation and establishing effective arrangements for governance, propriety and regularity.

## Our expectations and requirements

In our audit plan, we set out the following requirements to enable us to deliver the audit in line with the agreed fee and timetable:

- 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 Statement, 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 two working days (unless otherwise agreed) to minimise delays.

# Status of the audit

## Auditor reporting delays for previous periods and the impact on our audit

In our audit plan we reported that we will not be able to fully complete our audit, issue our auditor's report and certify the closure of the audit until your predecessor auditor has completed their audit for the year ended 31 March 2023. Once the 2023 audit has been completed, we will need to review the predecessor auditor's audit file and consider the impact on our audit of any modifications to their auditor's report.

We also reported that, once the 2023 audit and earlier years has been completed, we will need to revisit our planning procedures and audit plan to assess whether any additional procedures are required over and above those we have previously identified in our audit plan. Should additional procedures or changes to the plan be required, we will report these to you. The cost of additional work to revisit planning upon completion of the prior year audits will also be reported to you.

Since issuing our audit plan, the Government has consulted on introducing a statutory "audit backstop" for public sector audits. The *Accounts and Audit (Amendment) Regulations 2024* came into effect on 30 September 2024. This legislation provides the following statutory backstop dates:

- 13 December 2024 Audits from 2015/16 to 2022/23
- 28 February 2025 2023/24 audit
- 28 February 2026 2024/25 audit
- 31 January 2027 2025/26 audit
- 30 November 2027 2026/27 audit
- 30 November 2028 2027/28 audit

Providing the Council has met the minimum requirements for producing the 2022/23 accounts (and earlier years), including the statutory inspection period, we anticipate the predecessor audit will have completed their audit by 13 December 2024.

There is therefore a risk that issues not yet identified in the open audit years could arise in the completion of those audits which might impact on our 2023/24 audit year. There is a further risk that, the implementation of the "audit backstop" may mean the prior period opinions might be qualified by a limitation of scope or disclaimed in full. In this eventuality there is likely to be:

- limited assurance available over opening balances
- significant transactions, accounting treatments and management judgements that have not been subject to audit for one or more years, or at all.

Based on discussions to date we are expecting the audit opinions for 2022/23 and earlier years to be disclaimed by the 13 December backstop date. We do not anticipate that we will be able to gain any assurance from the work of the predecessor auditor in respect of the prior year comparatives or the closing balances at 31 March 2023 and 31 March 2022.

**Due to the limited time between that backstop date and the 2023/24 backstop date of 28 February 2025, we are therefore unlikely to have time to gain sufficient assurance over opening balances, closing balances and in year transactions. We anticipate that this missing assurance will be pervasive such that we will need to give a disclaimed opinion for 2023/24.**

# The 2023/24 audit

## Auditor reporting delays for previous periods and the impact on our audit

We have considered the impact on our audit on the basis of a presumed disclaimer opinion for 2022/23 and 2021/22.

Our planning takes into account the guidance contained in the [Local Audit Reset and Recovery Implementation Guidance](#) (LARRIG), numbers 1 to 5. LARRIGs are prepared and published by the National Audit Office (NAO) on behalf of the Comptroller and Auditor General (C&AG) who has power to issue guidance to auditors under Schedule 6 paragraph 9 of the *Local Audit and Accountability Act 2014* (the Act). LARRIGs are prepared and published with the endorsement of the Financial Reporting Council (FRC) and are intended to support the reset and recovery of local audit in England. The guidance in LARRIGs supports auditors in meeting their requirements under the Act and the [Code of Audit Practice](#) published by the NAO on behalf of the C&AG.

Our planning also takes into account the guidance contained in the FRC's document [Local Audit Backlog Rebuilding Assurance](#). Alongside the backlog measures, the Government has announced its intention to 'overhaul the local audit system', with a further update on these plans in Autumn 2024.

The FRC's guidance states: *"Recovery from the backlog is a shared endeavour between auditors and local bodies. Accounts preparers have a vital part to play, providing good quality draft financial statements supported by comprehensive working papers and supporting evidence to auditors. The success of these proposals relies on both auditors and accounts preparers working closely together to agree jointly-owned delivery plans for each year's audit. Chartered Institute of Public Finance and Accountancy (CIPFA) are responsible for the production of guidance to support accounts preparers. **Audit and Governance Committees should ensure that they are planning and able to play their full part in the process.**"*

The Council's financial statements include the following:

- The opening balances brought forward from the prior year, which include cash, general fund and ringfenced (e.g. Housing Revenue Account) reserves and the property valuation and pension liability / asset valuation at the start of the year;
- The closing balances, which include cash, general and ringfenced fund reserves and the property and pension valuations at the end of the year
- The in year expenditure, income, reserves and cash flow movements
- The comparative figures from the prior year; and
- Explanatory disclosure notes

The objective of the auditor is to obtain sufficient evidence to conclude that they have reasonable assurance that the financial statements as a whole are free from material misstatement. Where an auditor is unable to gain enough evidence or is unable to reach this conclusion based on the evidence gathered, they are required to issue a modified opinion. Auditors will disclaim their opinion where they lack the evidence to support an opinion.

	Material <u>but not</u> pervasive	Material <u>and</u> pervasive
Financial statements <u>are</u> materially misstated	Qualified	Adverse
Auditor is unable to obtain sufficient evidence to conclude on whether the financial statements are materially misstated	Qualified	Disclaimer

# The 2023/24 audit

In an audit following a disclaimer, the auditor will not have assurance over

- The opening balances brought forward from the prior year (the prior year's audited closing balance); and
- The comparative figures

It is also unlikely that the auditor will be able to obtain sufficient evidence to conclude they have reasonable assurance over the in-year income, expenditure, cash flow and reserves FRC | Local Audit Backlog: Rebuilding Assurance 4 movements without assurance over the opening balances. To use a very simple example: if a body has £100 at the end of the year but the auditor does not know whether the body had £50 or £10 at the start of the year, the auditor will not know whether the body has gained £50 or £90 during the year.

In normal circumstances, where a disclaimer is issued, an auditor would effectively have to perform work to assure all the opening balances and prior year comparatives in a single year.

The Recovery period has been designed to allow auditors to rebuild assurance for balances related to 2022/23 or earlier over multiple audit cycles, reducing the risk of the backlog recurring. Because auditors will need to make prioritisation decisions to issue audit opinions ahead of the backstop dates, they may not be able to obtain evidence to support all balances nor all in-year and comparative expenditure, income, cash flow and reserves movements.

The knock-on impact of the auditor not having assurance over in-year movements means they will also not have assurance over those figures when they are shown as comparatives in the following year.

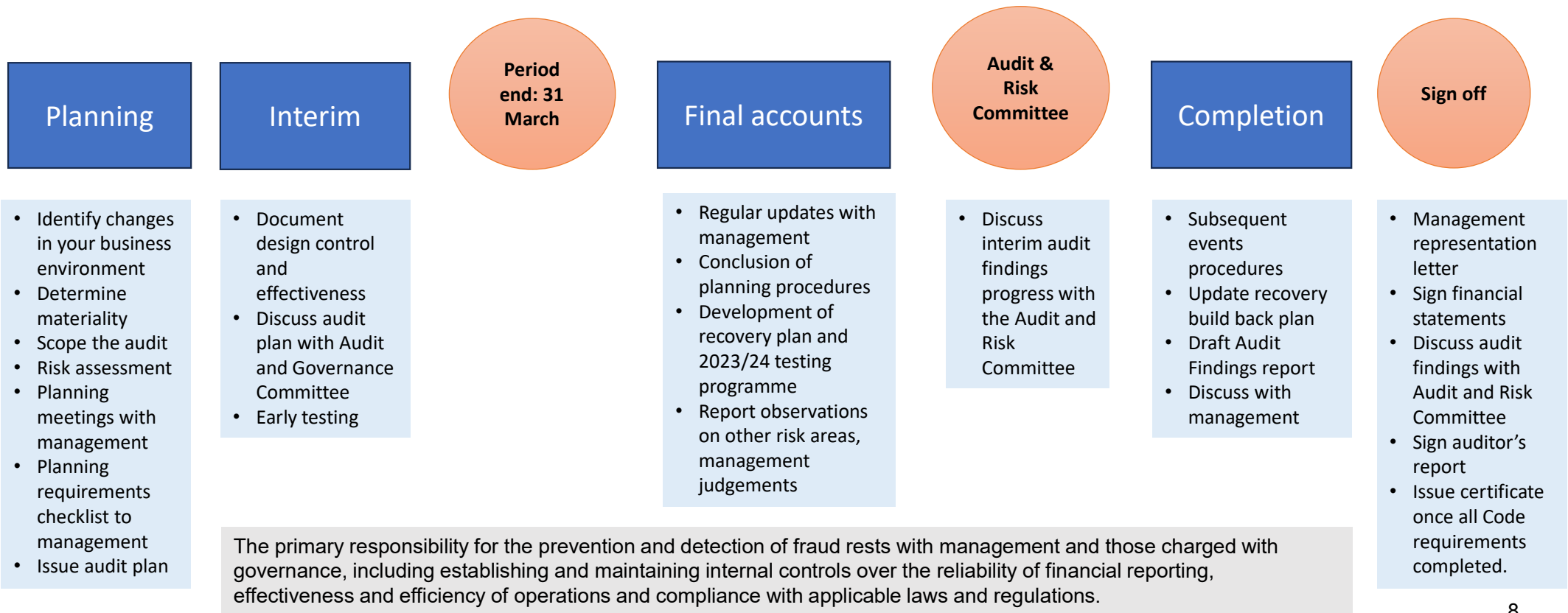
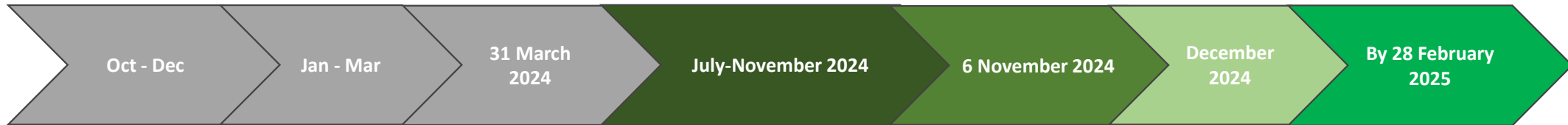
When designing approaches to rebuild assurance over multiple years, auditors will need to decide which balances to prioritise each year so as to deliver the optimal pathway to returning, as soon as possible, to a position where they are able to complete audits in full and the opinion is not influenced by backstop dates. One potential audit approach would be for an auditor to prioritise obtaining assurance over all year-end balances as quickly as possible.

For some balances, which are cumulative in nature, auditors may need assurance over the opening position to conclude on the closing position. An example is the usable reserves, where the closing position equals the opening balance plus the net movements in year. This means they may perform testing on income, expenditure, capital additions and other reserve movements (such as minimum revenue provision) from 2022/23 and other earlier years subject to a disclaimed audit opinion.

**We have considered our initial approach to the 2023/24 audit taking into account the statutory guidance and our knowledge of the Council, together with the 2023/24 work we have been able to complete to date. We have held meetings with the Chief Finance Officer and Chief Executive, as well as made enquiries of the Chair of the Audit and Governance Committee to inform our planning and fieldwork. We have held regular meetings with the finance team. We reported in our progress report, earlier in the year, the work we had been able to undertake during our planning and interim visits.**

**We set out over the next few pages the work we anticipate being able to undertake ahead of the 28 February 2025 backstop date. Due to the limited time between that backstop date and the 2023/24 backstop date of 28 February 2025, we are therefore unlikely to have time to gain sufficient assurance over opening balances, closing balances and in year transactions. We anticipate that this missing assurance will be pervasive such that we will need to give a disclaimed opinion for 2023/24.**

# Our financial statements audit explained





# The 2023/24 audit: planned procedures

Activity	Status / requirement	Planned work	Issues, impact and actions	Progress	Findings
<b>Receipt and review of updated financial statements 2023/24</b>	As at the date of writing, management has not produced the 2023/24 financial statements. The statutory inspection period – an elapsed time of 30 working days – has also not been set. Management's latest projection is that they will issue the draft financial statements by 17 November 2024.	We will review the draft financial statements once received.	<b>TBC</b>	<b>TBC</b>	<b>TBC</b>
<b>Review of predecessor audit file(s)</b>	Review of work undertaken in prior year file(s)	Once the predecessor auditor has issued their opinion for 2022/23 and 2021/22, we will request access to the prior year files	<b>TBC</b>	<b>TBC</b>	<b>TBC</b>
<b>Update of materiality for final accounts</b>	Auditor to consider the materiality applied at planning upon receipt of the draft financial statements and update accordingly	We will update our materiality considerations on receipt of the draft financial statements	<b>TBC</b>	<b>TBC</b>	<b>TBC</b>
<b>Update of scoping document for audit</b>	To be updated on receipt of the financial statements	We will consider this upon receipt of the draft financial statements and updated materiality considerations	<b>TBC</b>	<b>TBC</b>	<b>TBC</b>
<b>Post statements consistency review</b>	Upon receipt of the draft financial statements, we will review the internal consistency and casting of the statements and agreement to the prior year unaudited / disclaimed statements to confirm year-on-year consistency	We will review the draft financial statements once received	<b>TBC</b>	<b>TBC</b>	<b>TBC</b>

# The 2023/24 audit: planned procedures

Activity	Requirement	Planned work	Issues, impact and actions	Progress	Findings
<b>Completion of planning procedures</b>	We are required to complete the planning procedures that it was not possible to complete in the earlier audit visits and reconfirm our planning risk assessment. As set out in our progress report dated May 2024, a number of planning procedures were not able to be completed during our earlier audit visits.	This will include consideration of updated responses to management enquiries, enquiries of those charged with governance, the monitoring officer and others. We also need responses from management to complete procedures relating to the following areas: bank confirmation authorisation, investment confirmation authorisation.	<b>TBC</b>	<b>TBC</b>	<b>TBC</b>
<b>Review of Annual Governance Statement and Narrative Report</b>	We are required to consider whether the information published in this other information is inconsistent with our audit and other knowledge of the Council	We will review the other information provided but are unlikely to be able to formally provide an opinion on this aspect due to the anticipated disclaimer for 2023/24	<b>TBC</b>	<b>TBC</b>	<b>TBC</b>
<b>Agreement of financial statements to the general ledger / trial balance</b>	We are required to ensure the accounts accurately reflect / can be reconciled to the general ledger and are fully mapped to the Trial Balance	Upon receipt of the final draft statements, we will confirm closing balances reconcile to the general ledger and are fully mapped to the TB.	<b>TBC</b>	<b>TBC</b>	<b>TBC</b>
<b>IT General controls</b>	Under ISA315 we are required to consider the general controls in place regard IT	Work has been completed.	Recommendations to strengthen the arrangements in place are contained later in this report	<b>Green</b>	<b>Amber</b>

# The 2023/24 audit: planned procedures

Activity	Requirement	Planned work	Issues, impact and actions	Progress	Findings
<b>Agreement of opening balances to the prior year unaudited accounts</b>	We are required to confirm the Council's opening position agrees to the previously reported closing position	We will agree the opening ledger position to the prior year unaudited accounts. However, in the event of a disclaimed opinion for the prior year, this will not provide assurance over the opening figures but will only confirm there is continuity between the two sets of unaudited accounts.	<b>TBC</b>	<b>TBC</b>	<b>TBC</b>
<b>Group accounts</b> <i>Millstream Property Investments Ltd- the sub principal activity is acquiring, developing and refurbishing properties. The company's accounts are consolidated in the Council's accounts.</i>	We will be requesting from management a group accounts and consolidation working paper to enable us to review the group arrangements and finalise group materiality at final accounts.	We have requested and awaiting response from Management	<b>TBC</b>	<b>TBC</b>	<b>TBC</b>
<b>Cash and bank</b>	Audit of the cash and bank balances on the balance sheet	We aim to audit the closing and opening cash and bank position and agree these to external confirmations	<b>TBC</b>	<b>TBC</b>	<b>TBC</b>

# The 2023/24 audit: planned procedures

Activity	Requirement	Planned work	Issues, impact and actions	Progress	Findings
<b>Investments</b>	Audit of the short and long-term investments held by the Council	We aim to audit the opening and closing investments and agree these to external confirmations	<b>TBC</b>	<b>TBC</b>	<b>TBC</b>
<b>Borrowing</b>	Audit of the short and long-term borrowing held by the Council	We aim to audit the opening and closing borrowing balances and agree these to external confirmations	<b>TBC</b>	<b>TBC</b>	<b>TBC</b>
<b>Journals: response to significant risk of management override of control</b>	Audit of the Council's journals throughout 2023/24	We aim to audit the journals processed by the Council during the year	<b>TBC</b>	<b>TBC</b>	<b>TBC</b>
<b>Management letter of representation</b>	We are required to obtain from management a signed letter of representation	We will request this from management near the conclusion of the audit	<b>TBC</b>	<b>TBC</b>	<b>TBC</b>

# The 2023/24 audit: possible further procedures

The late production of the financial statements for 2023/24 and the limited time available between the date of writing and the statutory backstop date means there is unlikely to be sufficient time available to complete these procedures. Should there be sufficient time available during the limited audit window ahead of the statutory backstop, we will aim to undertake procedures in respect of the following.

Activity	Requirement	Planned work	Issues, impact and actions	Progress	Findings
<b>Property, Plant and Equipment - operational land and buildings: response to significant risk of valuation of other land and buildings</b>	Audit of the valuation of operational land and buildings in the financial statements.	Should time allow we will audit the valuation of these assets.	<b>TBC</b>	<b>TBC</b>	<b>TBC</b>
<b>Income</b>	Grant income, taxation income, fees and charges income, rental income	Audit of these in year areas	<b>TBC</b>	<b>TBC</b>	<b>TBC</b>
<b>Expenditure</b>	General expenditure and housing benefit expenditure	Audit of these in year areas	<b>TBC</b>	<b>TBC</b>	<b>TBC</b>
<b>Payroll</b>	Employee remuneration	Audit of in year payroll transactions	<b>TBC</b>	<b>TBC</b>	<b>TBC</b>
<b>Collection fund</b>	Collection fund account	Audit of the collection fund account	<b>TBC</b>	<b>TBC</b>	<b>TBC</b>

# The 2023/24 audit: possible further procedures

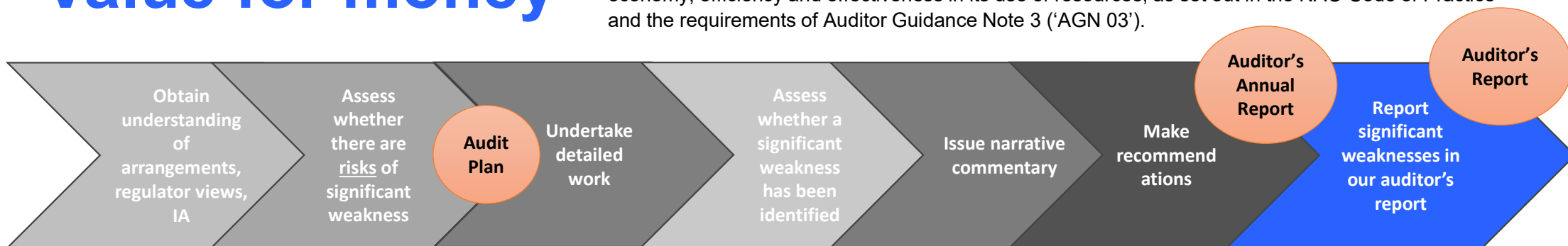
Activity	Requirement	Planned work	Issues, impact and actions	Progress	Findings
<b>Investment properties: response to significant risk of valuation of investment properties</b>	A full valuation of the investment property portfolio should have been obtained for 2023/24	Should time allow we will audit the valuation of these assets.	<b>TBC</b>	<b>TBC</b>	<b>TBC</b>
<b>Pension liability: response to significant risk in the valuation of pension liabilities</b>	We do not currently have assurance from the pension fund auditor. Our understanding is, should assurance be forthcoming, it will be limited as the current pension fund auditor was not the auditor at the previous triennial valuation. It is not clear whether the previous pension fund auditor is able to provide assurance dating back to the triennial valuation	We consider it unlikely we will be able to obtain assurance over this balance in 2023/24 and it is likely it will not be possible to audit this closing balance until the next triennial valuation in 2025/26.	We do not anticipate obtaining assurance over this balance in 2023/24	<b>N/A</b>	<b>Red</b>
<b>Payables and receivables</b>	Audit of the Council's debtors and creditors	Should time allow we will aim to audit these areas. This is contingent upon the Council being able to provide breakdowns of the closing balances	<b>TBC</b>	<b>TBC</b>	<b>TBC</b>

# The 2023/24 audit: possible further procedures

Activity	Requirement	Planned work	Issues, impact and actions	Progress	Findings
<b>Cash flow statement and related notes</b>	Audit of the cash flow statement and related notes	As the cash flow statement is inherently tied to opening balances, over which we anticipate having no assurance, we do not consider it likely that we will be able to undertake this work in 2023/24	We do not anticipate obtaining assurance over this balance in 2023/24	<b>TBC</b>	<b>Red</b>
<b>Movement in Reserves statement</b>	Audit of the Movement in Reserves statement	As the Movement in Reserves statement is inherently tied to opening balances, over which we anticipate having no assurance, we do not consider it likely that we will be able to undertake this work in 2023/24	We do not anticipate obtaining assurance over this balance in 2023/24	<b>TBC</b>	<b>Red</b>
<b>Reserve movements and adjustment notes</b>	Audit of the reserve movements from the prior year, including Adjustment to funding basis	As these accounting entries are inherently tied to opening balances, over which we anticipate having no assurance, we do not consider it likely that we will be able to undertake this work in 2023/24	We do not anticipate obtaining assurance over this balance in 2023/24	<b>N/A</b>	<b>Red</b>

# 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 and the requirements of Auditor Guidance Note 3 ('AGN 03').



We will complete our work on the Council's arrangements for securing value for money during the final accounts window. To date we have not identified any areas of significant weakness. The predecessor auditor has not yet issued the value for money reports for 2022/23 and we will need to update our planning assessment in light of the prior year findings once received. Our detailed narrative commentary will be contained in our Auditor's Annual Report which will be issued following completion of the audit.

Reporting criteria	Planning – risk of significant weakness identified?	Final – significant weakness identified?	Key recommendations made?	Other recommendations made?
<b>Financial sustainability</b> How the body plans and manages its resources to ensure it can continue to deliver its services	No	TBC	TBC	TBC in AAR
<b>Governance</b> How the body ensures it makes informed decisions and properly manages risk	No	TBC	TBC	TBC in AAR
<b>Improving economy, efficiency and effectiveness</b> How the body uses information about its costs and performance to improve the way it manages and delivers its services	No	TBC	TBC	TBC in AAR



# Internal control recommendations

The matters reported here are limited to issues we have identified during the course of our audit which we feel are of sufficient importance to merit reporting to you under the auditing standards.

Assessment	Issue	Recommendation	Management response
Amber	East Hertfordshire District Council is subject to approaches led by Stevenage Borough Council. East Hertfordshire District Council maintains an up-to-date and approved risk management framework, and we viewed evidence that risks were reported against to the February 2024 SLT meeting. However, as neither a Strategic or Corporate Risk Register could be provided for review, it is unclear if there is a process in place to actively track and manage cyber risks.	The Council should ensure that they are capturing and monitoring cyber risks, assigning suitable owners and deadlines to help ensure that risk ratings, mitigations, residual risks and risk owners etc. are clear for each risk.	This issue has been addressed since the audit took place, and the cyber risks are now included in the risk registers
Amber	The council has an approach in place by which the results of scans are used to inform action planning. However, the planning does not include timescales that can be tracked and monitored, and an update has not been completed since the date when all actions were due to be completed	The Council should ensure that action planning is subject to ongoing monitoring to ensure that due dates can be met or mitigating controls and revised due dates put in place.	As of July 15th, we have appointed a Cyber Manager and an ICT Senior Cyber Technical Engineer. They will oversee the results of scans and implement mitigation controls based on the action plan derived from these scans.
Amber	The council has recently implemented a process by which suppliers and third-parties can be assessed with regards to their cyber security. The Council has not clearly defined how this assessment should be applied and responses assessed to identify the suitability of potential partners. There is, at present, no ongoing monitoring or re-review of existing partners in place.	The Council should enhance their existing processes by defining thresholds by which response documents can be reviewed and risks/threats to third-party provisions identified. For example, this risk assessment should be based on a pre-defined set of requirements set by the Council to form a baseline maturity which third-parties must meet. The frequency of re-assessments should be based on the criticality of the supplier.	As of July 15th, we have appointed a Cyber Manager and an ICT Senior Cyber Technical Engineer. We have assessed our third-party cloud providers against the NCSC's 14 Cloud Security Principles. Additionally, we are exploring the implementation of Risk Ledger to manage and enhance these processes.

Key: **Significant deficiency** in internal control **Other deficiency** in internal control **Other observations**

# Internal control recommendations

The matters reported here are limited to issues we have identified during the course of our audit which we feel are of sufficient importance to merit reporting to you under the auditing standards.

Assessment	Issue	Recommendation	Management response
Amber	The Council has not formally documented the key roles and responsibilities for cyber security at either an operational or management level.	The council should ensure that key cyber security roles at all levels are documented within policy, alongside their associated responsibilities. This should include the responsibilities of all staff and executive management, as well as those in named cyber security roles (e.g., SIRO).	This issue is currently being addressed and is expected to be resolved by the end of the financial year.
Amber	East Hertfordshire Council does not have an Information Security Policy which sets out the high-level objectives and requirements of the organisation, including those requirements related to training or the roles and responsibilities of individuals. The existing Acceptable Use Policy is limited in its provision of responsibilities, although it is acknowledged that an updated version (which currently remains in draft) sets out more detailed guidance for staff. Mandatory cyber security training is carried out and completion rates can be monitored	The council should prioritise the approval and implementation of the new Acceptable Use Policy to ensure user responsibilities are set out in full. It may also be prudent to design, approve and implement an Information Security Policy which sets out the high-level objectives and requirements of the organisation, including key roles and responsibilities (e.g. of relevant governance groups and accountable individuals) and requirements for information security training.	This is now pending approval from the trade unions and will go live by the end of December 2024.
Amber	The Council does not have in place an Information Asset Register which records key information assets alongside details such as the relevant IAO, storage location, and retention period. There is no Asset Management Policy in place, and the Access Control Policy does not sufficiently set out approaches to and requirements for authentication, role-based access, or access rights review.	The Council should implement an Information Asset Register which records key aspects expected by the ICO (e.g., IAO, Location, Retention Period, Security Measures.) This should be supported by an Asset Management Policy which sets out the Council's approach to identifying, managing and protecting critical information assets.	We are currently creating an Information Asset Register along with an Information Asset Management Policy, aiming to roll this out by the end of the financial year

Key: **Significant deficiency** in internal control **Other deficiency** in internal control **Other observations**

# Internal control recommendations

The matters reported here are limited to issues we have identified during the course of our audit which we feel are of sufficient importance to merit reporting to you under the auditing standards.

Assessment	Issue	Recommendation	Management response
Amber	The Council conducts vulnerability scanning and receives alerts from the NCSC Early Warning Alerts. However, no evidence could be provided for alerts raised in response to suspicious activity such as firewall alerts, antivirus alerts or suspicious logins.	The Council should ensure that alerts are raised and can be investigated in response to suspicious activity. This should include event information from firewall tooling, antivirus tooling, and suspicious login information.	As of July 15th, we have appointed a Cyber Manager and an ICT Senior Cyber Technical Engineer who have addressed this issue
Amber	The Council has a response policy and procedure in place, although such documentation remains undated with a lack of clarity as to their validity and currency. A desktop exercise has been held and lessons learned from this are planned to be incorporated into response plans. However, for subsequent exercises (e.g., NCSC Exercise in a Box), we have not received evidence of lessons learned reporting being used to inform incident response approaches going forward.	The council should review and update their incident response policy and procedure. This will help to ensure that their approach to incident management and response is up-to-date and reviewed on a regular basis (e.g., annually and in response to any significant organisational or environmental changes).	This has been addressed and is reviewed on an annual basis.
Amber	East Hertfordshire District Council has a response policy and procedure in place, although such documentation remains undated with a lack of clarity as to their validity and currency. A desktop exercise has been held and lessons learned from this are planned to be incorporated into response plans. However, for subsequent exercises (e.g., NCSC Exercise in a Box), we have not received evidence of lessons learned reporting being used to inform incident response approaches going forward	The council should ensure that testing is fully documented, with lessons learned activities performed and used to inform planning going forward	This issue has been addressed, and annual testing now takes place

Key: **Significant deficiency** in internal control **Other deficiency** in internal control **Other observations**

# Independence and ethics

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 that the Housing Benefit claim does not provide a conflict
- **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.

## Assurance service fees

Service	Fee £	Threats identified	Safeguards
Housing Benefit HBAP	£28,000	Self-interest (recurring fee)	The level of this recurring fee in and of itself is not considered a significant threat to independence, given the low level of the fee compared to the total fee for the audit and in particular compared to Azets' UK turnover as a whole. The fee is fixed based on the volume of work required, with no contingent element. These factors, in our view, mitigate the perceived self-interest threat to an acceptable level.



We are an accounting, tax, audit, advisory and business services group that delivers a personal experience both digitally and at your door.

Accounting | Tax | Audit | Advisory | Technology

[hello@azets.co.uk](mailto:hello@azets.co.uk)

Follow us

