East Hertfordshire District Council

External audit plan

Year ended 31 March 2025

August 2025

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Introduction

Adding value through the audit

All of 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 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') for the year ended 31 March 2025 for those charged with governance.

The core elements of our work include:

- An audit of the 2024/25 Statement of Accounts for the Council and its Group; and
- An assessment of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources (our Value for Money work).

This document also includes our indicative plans for building back assurance for the Council and its Group over the coming years following the previous disclaimed audits.

We will conduct our audit in accordance with International Standards on Auditing (ISAs) (UK), the Local Audit and Accountability Act 2014 (the 'Act'), the National Audit Office Code of Audit Practice and associated guidance. 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.

Auditor responsibilities

As auditor we have been appointed to perform an audit, in accordance with the Local Audit and Accountability Act 2014, the Code of Audit Practice issued by the National Audit Office and ISAs UK. Our primary responsibility is to form and express an independent opinion on the Council's (and its 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.

continued…..

Introduction

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. 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.

This planning letter has been prepared for the sole use of those charged with governance and management and should not be relied upon by third parties. No responsibility is assumed by Azets Audit Services to third parties.

Auditor responsibilities *(….continued)*

We will issue our Audit Completion Report and an Auditor's Annual Report to the Audit and Governance Committee setting out the findings from our work.

Under the Act we have a broad range of reporting responsibilities and powers that are unique to the audit of 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 and advisory notice; or
- Making an application for judicial review.

The Act also requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and consider any objection made to the accounts.

On completion of our audit work, we will issue an Audit Completion Report (prior to the approval of the financial statements), detailing our significant findings and other matters arising from the audit on the financial statements, together with an Auditor's Annual Report including our commentary on the value for money arrangements.

If, during the course of the audit, we identify any significant adverse or unexpected findings that we conclude should be communicated, we will do so on a timely basis, either informally or in writing.

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.

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.

Audit scope and general approach

This section of our letter sets out the scope and nature of our audit and should be considered in conjunction with the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments Limited (PSAA).

General approach

Our objective when performing an audit is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement and to issue an auditor's report that includes 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 its 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 will undertake a variety of audit procedures which, in a normal year, are 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. We are unlikely to be able to obtain sufficient assurance in 2024/25 to reach this conclusion due to the late production of prior year accounts and the disclaimers of opinion issued for 2021/22, 2022/23 and 2023/24 as a result.

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.

We include an explanation in the auditor's report of the extent to which the audit was capable of detecting irregularities, including fraud and respective responsibilities for prevention and detection of fraud.

Audit scope and general approach

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.

Judgments about materiality are made in the light of surrounding circumstances and are affected by our perception of the financial information needs of users of the financial statements, and by the size or nature of a misstatement, or a combination of both. The basis for our assessment of materiality for the year is set out on page 19.

Any identified errors greater than:

£80,000

will be recorded and discussed with you and, if not adjusted, confirmed as immaterial as part of your letter of representation to us.

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.

Specialised skill or knowledge required to complete the audit procedures

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

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

We will consult internally with our Technology Risk team for them to support the audit team by assessing the information technology general controls (ITGC) of your systems, including your general financial ledger.

Audit scope and general approach

Significant changes in the financial reporting framework

There has been one significant change in the financial reporting framework this year, including the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 (the ‘CIPFA Code). The new standard relating to IFRS 16 Leases issued in January 2016 has now been mandated for implementation from 1 April 2024 within the 2024/25 Code.

Significant changes in the Council’s and Group’s functions or activities

There have been no significant changes to the functions and activities of the Council or its group structure. We have not been made aware of any significant changes in the functions or activities of the other components in the Council’s group.

Our group audit scope and risk assessment is set out in Appendix I.

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.

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 and 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 Code and Practice Note 10 (PN10), which focusses on the anticipated future provision of services in the public sector rather than the future existence of the entity itself.

Audit scope and general approach

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.

Additional procedures for the NAO

The National Audit Office (the ‘NAO’) 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 for the WGA request us to undertake specific audit procedures in order to provide them with additional assurance over the amounts recorded in WGA schedules. The extent of these procedures will depend on whether the Council has been selected by the NAO as a sampled component for 2024/25. 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 seek to comply with the instructions and report to the NAO in accordance with their requirements once instructions have been issued.

Building back assurance

Statutory backstop dates and disclaimed audits

Statutory Instrument (2024) No. 907 - "*The Accounts and Audit (Amendment) Regulations 2024*", imposed annual statutory backstop dates up to and including the 2027/28 year of account for the publication by the Council of its final Statement of Accounts. The Code of Audit Practice 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.

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

The Council has experienced significant delays in the publication of their draft financial statements and the completion of the associated audits, resulting in the statutory backstop dates for 2021/22, 2022/23 (13 December 2024) and 2023/24 (28 February 2025) being missed.

The Council published their draft 2021/22 financial statements on 11 December 2023, significantly later than the statutory deadline of 31 July 2022. These draft accounts did not include an Annual Governance Statement (AGS) and the Statement of Responsibilities included in the accounts was from the 2020/21 accounts and dated 26 October 2020.

The draft 2022/23 financial statements were published on 6 November 2024, significantly later than the statutory deadline of 31 May 2023. As a result the statutory backstop date of 13 December 2024 for both the 2021/22 and 2022/23 financial statements was missed. A disclaimer of opinion for both audit years was issued on 23 April 2025.

The Council published their draft 2023/24 financial statements on 30 April 2025, significantly later than the statutory deadline of 31 May 2024. This audit remains in progress. Due to the late publication, and the fact the statutory backstop for 2023/24 (28 February 2025) had already passed when the draft financial statements were published on 30 April 2025, we anticipate issuing a disclaimer of opinion for 2023/24.

This means, as a consequence of the statutory backstop, the Council's accounts will have been disclaimed for 2021/22, 2022/23 and 2023/24. The previous clean opinion, where the closing balances were assured by the auditor, was 2020/21. The closing balances as at 31 March 2021 are therefore our required starting point for building back assurance.

Building back assurance

Government's expectation is that auditors and councils build back assurance to enable, at some point in the future, the return to unmodified (clean) opinions. The recovery period has been designed to allow auditors to rebuild assurance for balances from disclaimed years 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 sufficient evidence to support all balances nor all in-year and comparative expenditure, income, cash flow and reserves movements within individual audit years.

Building back assurance

As a firm we have invested considerable resources in developing our overall response to the disclaimed periods of assurance, the impact this has on our audit responsibilities and what an indicative build-back plan may involve. Due to the complexities caused by the disclaiming of previous audits our work has required greater involvement from senior members of the audit team than would normally be the case. PSAA has made clear that this additional work is over and above the annual scale fee.

Our planning takes into account the guidance contained in the Local Audit Reset and Recovery Implementation Guidance (LARRIG), numbers 01 to 06. 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.' Draft legislation to effect this was laid before parliament in July 2025 in the English Devolution and Community Empowerment Bill.

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.*"

Elements of building back assurance, particularly in respect of reserves, were subject to detailed discussion within a cross-firm working group, also attended by the FRC, known as 'the Sandbox'. Statutory guidance was produced by the NAO, endorsed by the FRC, as a result of the outcome of this working group, in the form of LARRIG 06.

Following the publication of this guidance, we are further developing our implementation approach and methodology for building back reserves assurance, in compliance with this statutory guidance.

As part of our work in 2023/24, we began assessing what work, carried out in 2023/24, can be used to inform the process of rebuilding assurance in future years. Where work was able to be undertaken in 2023/24, we intend to accrete this work into this and future audit periods to inform the future building back of assurance. The build-back approach will require us to apply a process of rebuilding assurance over all financial years for which disclaimers of opinion have been issued.

As a result of the approach we adopted and work undertaken in 2023/24 we have developed our understanding of the Council's systems, processes, controls and arrangements for the preparation of the financial statements and have gathered information which may inform the process of rebuilding assurance in this and future years.

Building back assurance

We have developed an indicative end-to-end build-back recovery plan for disclaimed audits. We set out this indicative plan for your Council here.

Our overarching approach

Our approach to your audit from 2024/25 onwards comprises three distinct phases with the ultimate objective of returning to unmodified opinions in the future.

Phase	Planned work	Timing	Included in scale fee?
1	Undertake the normal 'in-year' audit. This will provide assurance over some closing balances and in-year movements	Annually	Yes
2	Undertake 'build-back' testing back to the last clean opinion for specified balance sheet items where full assurance over the closing balance cannot be obtained without opening assurance	Likely 2025/26	No – additional fees apply
3	Undertake work on prior-year disclaimed CIES entries and reserve movements back to the last clean opinion, in line with LARRIG 06.	Likely 2025/26 and beyond	No – additional fees apply

One of the contributing factors to the existing backlog of opinions was insufficient capacity across audit suppliers and, in some cases, within council finance teams. These capacity constraints continue. It is therefore not possible to rebuild all assurance within a one-year period. In terms of the work required under phases 2 and 3 – which could be considerable – we will discuss with management the appropriate timing and year for such work. For 2024/25 we anticipate there will be sufficient capacity to undertake phase 1 and potentially some elements of phase 2, with the remainder of the indicative build back plan falling into future years.

MHCLG has announced their intention to reimburse councils for the additional fees incurred from audit work required to build back assurance over disclaimed periods. This funding is conditional upon councils publishing their draft financial statements by the statutory deadline each year from 2024/25 (30 June annually).

In 2024/25, the Council published their draft financial statements on 27 June 2025, in line with this deadline. This is the first time in 4 years the Council has met this deadline and is a significant accomplishment.

Phase 1: the 'in-year' audit and accretion of evidence

In 2024/25 and future years, our 'in-year' audit will enable us to reach one of the conclusions (set out in the table on the next page) for each balance sheet item of account. This approach is subject to the provision of appropriate and timely evidence which fully supports the balances in question, and whether our detailed work confirms our assumptions over which balances can be fully supported independently of the missing opening assurance:

Building back assurance

Conclusion	Likely applicable balances
Assurance gained over the closing balance of the item of account (i.e. closing balance is not inherently tied to the opening position)	• Other land and buildings valuation • Investment properties • Investments • Debtors • Creditors • Cash and cash equivalents • Borrowing • Provisions
Assurance gained in-year but lack of opening assurance means the closing balance / full year balance on CIES cannot be fully assured and remains disclaimed	• Property plant and equipment • Pension liabilities (IAS19) • Long term debtors • Long term creditors • Long term lease liabilities • All reserves

The items in the first category will be rolled forward and accreted into future years as part of the overarching indicative build-back strategy. It will take a minimum of three years for the items in this first category to be fully assured across three closing balances. At this point, no retrospective build back should be required for these items of account.

The items in the second category will need further work to obtain full assurance, which form phases 2 and 3 of the overarching indicative build-back approach.

Phase 2: build-back for specified balance sheet items where the closing position is inherently tied to the opening position

These closing balances can only be assured by undertaking work on these items of account in the disclaimed years, back to the last clean opinion.

We are not, at this stage, proposing to rebuild assurance for historic land and buildings and IAS19 pension valuations or CIES income and expenditure over the disclaimed years. This is considered further in Phase 3.

Obtaining full assurance over the pension liability valuation (IAS19) closing balance will not be possible until the completion of the next triennial valuation. This is because of missing assurance over the current position dating back to the previous triennial valuation. The next triennial valuation is due to be accounted for from 2025/26, and we will undertake work in respect of this in conjunction with the pension fund auditor during the 2025/26 audit year.

Moreover, the late publication of the 2023/24 accounts, as noted earlier, means the 2023/24 audit is unlikely to have been completed until September 2025. This is likely to result in a disclaimer of opinion. This means the time available to obtain significant substantive assurance for the 2024/25 accounts is significantly limited. The statutory backstop for the 2024/25 accounts is 28 February 2026.

Building back assurance

Phase 3: build-back on prior year disclaimed CIES entries and reserve movements back to the last clean opinion

The approach to this is set out in the statutory guidance LARRIG 06. This was released in June 2025. We are currently considering the requirements of this guidance and developing our approach, methodology and implementation in response. At the highest level, the guidance requires the following to be undertaken for auditors to establish their overall strategy:

- A detailed and substantive risk assessment of the Council and its environment across the disclaimed period
- A comprehensive analysis of reserve movements over the full disclaimed period
- Determination of procedures required to obtain substantive assurance across the disclaimed period. This is likely to require substantive testing of income and expenditure transactions across the disclaimed period (beginning 1 April 2021) to gain assurance over the reserves opening position.

This will enable us to rebuild the assurance over the reserves balances and provide assurance over the general fund, earmarked reserves and unusable reserves, as well as over the Council's Capital Financing Requirement (CFR) and minimum revenue provision (MRP).

This is likely to result in significant additional work over the coming years. It is important the Council has sufficient capacity and resilience to facilitate this work.

On 23 April 2025 the predecessor auditor, as part of their conclusion over the 2021/22 and 2022/23 audits, determined there were significant weaknesses in place at the Council in the Council's arrangements for the preparation and publication of financial statements. As a result of the weaknesses identified, they made Statutory Recommendations under Schedule 7(2) of section 24 of the Local Audit and Accountability Act 2014 (as amended).

As part of our 2023/24 audit we have considered the Council's response to these recommendations. As the recommendations were only raised formally in April 2025 there had been insufficient time for any of the responses to have been implemented during our 2023/24 work. Accordingly the significant weaknesses remained present during 2023/24 and we concluded accordingly in our Auditor's Annual Report for 2023/24.

As the Council considered the statutory recommendations at a public meeting, as required by the Act, we did not re-issue further statutory recommendations as part of our 2023/24 audit but made key recommendations in respect of the significant weaknesses identified. We have also raised other recommendations for improvement.

The significant weaknesses and recommendations made are summarised in our Audit Completion Report for 2023/24 and our Auditor's Annual Report for 2023/24. Both of these reports will be reported to the Audit and Governance Committee alongside this audit plan for 2024/25 in September 2025.

Indicative build-back planner

	Build back of specified closing balances				Recovery of closing balances	Recovery of reserves and CIES	
Item of account	**Phase 1**				**Phase 2 (2025/26)**	**Phase 3 (2025/26 and beyond)**	**Included in scale fee?**
	2024/25	**2025/26**	**2026/27**	**2027/28**			
Income in-year *(fees and charges, taxation, grants, other income)*		Yes	Yes	Yes	N/A	N/A	Yes
Expenditure in-year *(payroll, operating expenditure, other expenditure)*		Yes	Yes	Yes	N/A	N/A	Yes
Other land and buildings valuation		Yes	Yes	Yes	N/A	N/A	Yes
Closing balances not inherently tied to the opening balance *(includes Investment properties, investments, debtors, creditors, cash and cash equivalents, borrowing, provisions)*		Yes	Yes	Yes	N/A	N/A	Yes
Pension liabilities (IAS19) *(triennial in 2025/26)*		Yes	Yes	Yes	N/A	N/A	Yes
Reserves and reserves movements in-year *(general fund, earmarked reserves, unusable reserves, CFR, MRP, disclaimed year CIES movements)*		Yes	Yes	Yes	N/A	N/A	Yes
Cash flow statement in-year		Yes	Yes	Yes	N/A	N/A	Yes
Collection fund in-year		Yes	Yes	Yes	N/A	N/A	Yes
Cash flow statement and related notes full assurance		Yes	Yes	Yes	N/A	N/A	Yes
PPE closing balances, council dwelling closing balances *(recovery of additions, disposals, depreciation and other capital movements)*		No	No	No	Yes	No	No
Closing balances inherently tied to the opening balances where prior year recovery is required *(Long term debtors, long term creditors, long term lease liabilities)*		No	No	No	Yes	No	No
Collection fund surplus		No	No	No	Yes	No	No
Reserves and reserves movements full *(general fund, earmarked reserves, unusable reserves, CFR, MRP, disclaimed year CIES movements)*		No	No	No	No	Yes	No

Indicative assurance over build-back period

	Build back of specified closing balances through in-year audit				Recovery of closing balances	Recovery of reserves and CIES
	Phase 1				Phase 2 (2025/26)	Phase 3 (2025/26 and beyond)
	2024/25	2025/26	2026/27	2027/28		
Assurance gained over specific balance sheet closing balances which are **not** inherently tied to the opening balance (Phase 1)	No	Yes	Yes	Yes	N/A	N/A
Assurance gained over comparator closing balance for specific balance sheet items **not** inherently tied to the opening balance (Phase 1b)	No	No	Yes	Yes	N/A	N/A
Assurance gained over comparator opening balance for specific balance sheet items **not** inherently tied to the opening balance (Phase 1c)	No	No	No	Yes	N/A	N/A
Assurance gained over balance sheet balances which **are** inherently tied to the opening balance – current year closing, prior year closing, prior year opening (Phase 2)	N/A	N/A	N/A	N/A	Yes	N/A
Assurance gained over general fund, earmarked reserves, unusable reserves, collection fund surplus (Phase 3)	N/A	N/A	N/A	N/A	N/A	Yes
Full assurance gained for each phase?	No	No	No	Yes	Yes	Yes
Is missing assurance pervasive?	**YES**	**YES**	**YES**	**YES *(phase 1 obtained only)***	**YES *(phase 1 and 2 obtained only)***	**NO *(provided also have full phase 1 and 2)***
Anticipated opinion	**Disclaimer**	**Disclaimer**	**Disclaimer**	**Disclaimer**	**Disclaimer**	**Clean**
Additional fee – disclaimer	**Yes**	**Yes**	**Yes**	**Yes**	**Yes**	**No**
Additional fee – build back	**No**	**No**	**No**	**No**	**Yes**	**Yes**

Anticipated audit reports by year

Year	Assurance gained								Anticipated audit report
	Closing balances	Comparator closing balances	Comparator opening balances	Pensions IAS19 closing balance	Pensions IAS19 comparator closing balance	Pensions IAS19 comparator opening balance	Closing balances inherently tied to the opening balance	Reserves	
2024/25	N	N	N	N	N	N	N	N	Disclaimer
2025/26	Y	N	N	Y	N	N	N	N	Disclaimer
2026/27	Y	Y	N	Y	Y	N	N	N	Disclaimer
2027/28 ***(phase 1 only)***	Y	Y	Y	Y	Y	Y	N	N	Disclaimer
2027/28 * ***(phase 1 and 2 only)***	Y	Y	Y	Y	Y	Y	Y	N	Disclaimer
2027/28 * ***(phase 1, 2 and 3)***	Y	Y	Y	Y	Y	Y	Y	Y	Clean

** Phase 2 (recovery of assurance back to the last clean opinion) and Phase 3 (recovery of general fund and reserves assurance) are planned to be undertaken in 2025/26 (and beyond, for recovery of income and expenditure assurance during the disclaimed period) should there be sufficient capacity within the finance team to facilitate this work, and subject to agreement of cost for this additional work. MHCLG has announced their intention to fund councils for the cost of this additional build back work.*

Our financial statements audit explained

Dec 2024 – Sept 2025	Feb 2025 – Sept 2025	31 March 2025	From July 2025	Jan 2026	Feb 2026	By 27 Feb 2026
Planning	Interim	Period end: 31 March	Final accounts	Audit and Governance Committee	Completion	Sign off

Planning

- 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

Interim

- Document design control and effectiveness
- Discuss audit plan with Audit and Governance Committee
- Early testing

NOTE: Planning and interim work was delayed due to the late accounts and audits in prior years and delayed provision of evidence by the Council for 2024/25.

Period end: 31 March

Final accounts

- Regular updates with management
- Completion of all audit testing
- Conclude on significant risk areas
- Report observations on other risk areas, management judgements
- Draft Audit Completion report
- Discuss with management

Audit and Governance Committee

- Discuss audit findings with Audit and Governance Committee

Completion

- Subsequent events procedures
- Management representation letter
- Sign financial statements

Sign off

- Sign auditor's report
- Issue delayed certificate

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.

Progress to date 2024/25

Our audit planning for 2024/25 commenced in December 2024. The planning period has been extended due to the delays in the Council receiving the disclaimers of opinion for 2021/22 and 2022/23. The reasons behind this are set out in the predecessor auditor's Audit Completion report, reported to the Audit and Governance Committee on 22 April 2025. Planning for 2024/25 was further delayed by the late publication of the 2023/24 financial statements, which were published on 30 April 2025. This resulted in delays in the provision of evidence to support the planning procedures for 2024/25 and as a result our planning time frame and duration of work was extended until September 2025.

As at the date of this report, we are still awaiting the provision of management's latest going concern assessment. We have also not been provided with management's assessment to support its accounting for 'right of use' assets under the new International Financial Reporting Standard (IFRS) 16 which became effective for local government from the 2024/25 year. We have also not, at the date of this report, been provided with the Council's trial balance to support the draft financial statements published on 30 April 2025.

The extension of the planning time frame and impact of delays caused by the overrunning prior year audits and late publication of prior year financial statements means the cost of completing our planning work is greater than anticipated. It also means there will be insufficient time to undertake full substantive procedures for the 2024/25 audit in the time available before the 2024/25 backstop of 28 February 2026.

Whilst we have been able to obtain sufficient evidence, information and response to queries to enable us to produce this indicative audit plan, should the completion of our planning procedures result in the identification of any new audit risks or additional / alternative procedures, we will communicate these to you in our Audit Completion Report in January 2026.

Materiality

Whilst our audit procedures are designed to identify misstatements which are material to our audit opinion, we also report to those charged with governance and management any uncorrected misstatements of lower value errors to the extent that our audit identifies these. Under ISA (UK) 260 we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. 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.

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 Group and the needs of the users. When planning, we make judgements about the size of misstatements which we consider to be material, and which provide a basis for determining the nature and extent of our audit procedures. 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.

Our assessment, at the planning stage, of materiality for the year ended 31 March 2025 was calculated as follows:

	Group £'000	Council £'000	Explanation
Overall materiality for the financial statements	1,607	1,518	Our initial assessment is based on approximately 2% of gross revenue expenditure as disclosed in the 2024/25 draft annual report and accounts. We consider this to be the principal consideration for the users of the financial statements when assessing financial performance of the Council and Group. The financial statements are considered to be materially misstated where total errors exceed this value
Performance materiality	964	910	60% of materiality (adjusted to take into account the Council component materiality allocation for the group accounts) Performance materiality is the working level of materiality used throughout the audit. We use performance materiality to determine the nature, timing and extent of audit procedures carried out. We perform audit procedures on all transactions, or groups of transactions, and balances that exceed our performance materiality. This means that we perform a greater level of testing on the areas deemed to be at significant risk of material misstatement. Performance materiality is set at a value less than overall materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of the uncorrected and undetected misstatements exceed overall materiality.
Trivial threshold	80	75	5% of overall materiality for the Council and group. Trivial misstatements are matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. Individual errors above this threshold are communicated to those charged with governance.

In addition to the above, we consider any areas for specific lower materiality. We have determined that no specific materiality levels need to be set for this audit.

Significant risks of material misstatement

Significant risks are risks that require special audit consideration and include identified risks of material misstatement that:

- Our risk assessment procedures have identified as being close to the upper range of the spectrum of inherent risk due to their nature and a combination of the likelihood and potential magnitude of misstatement; or
- Are required to be treated as significant risks due to requirements of ISAs (UK), for example in relation to management override of internal controls.

Significant risks at the financial statement level

The table below summarises significant risks of material misstatement identified 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.

Identified risk	Planned audit procedures
Management override of controls - relates to Council and Group 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. Although the level of risk of management override of controls will vary from entity to entity, the risk is nevertheless present in all entities. Specific areas of potential risk including manual journals, management estimates and judgements and one-off transactions outside the ordinary course of the business. **Risk of material misstatement: Very High**	Procedures performed to mitigate risks of material misstatement in this area will include: • Documenting our understanding of the journals posting process and evaluating the design effectiveness 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 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

Identified risk	Planned audit procedures
Prior year opinion on the financial statements - relates to Council and Group As a result of the backstops, disclaimer audit opinions were provided on the Council and group's 2021/22, 2022/23 and 2023/24 financial statements. As a result of prior year disclaimed audit opinions: • 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. The absence of prior year assurance raises a significant risk of material misstatement at the financial statement level that may require additional audit procedures. **Risk of material misstatement (financial statement level): Very high**	Procedures performed to mitigate risks of material misstatement in this area will include: • Considering the findings and outcomes of prior year audits and their impact on the 2024/25 audit; • Considering the impact on our audit of qualified or disclaimed audit opinions, particularly regarding opening balances and 'unaudited' transactions and management judgements made in the previous years which continue into 2024/25; and • Considering the impact of any changes in Code requirements for financial reporting in previous and current audit years.

Significant risks of material misstatement

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

The table below summarises significant risks of material misstatement at the assertion level for classes of transaction, account balances and disclosures.

<table>
<tr><th>Identified risk</th><th>Planned audit procedures</th></tr>
<tr><td>Fraud in revenue recognition (rebutted) - Relates to Council and Group

Material misstatement due to fraudulent financial reporting relating to revenue recognition is a rebuttable presumed risk in ISA (UK) 240.

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 reasons:

• there is little opportunity available to manipulate revenue recognition;
• there is limited incentive to manipulate revenue recognition
• the Council’s existing income transactions do not provide a significant opportunity to manipulate income between years in any meaningful way or to adopt aggressive recognition policies.

Inherent risk of material misstatement (existence and occurrence): Low</td><td>Whilst we have rebutted the risk of fraud in income recognition, we will perform the below procedures based on their value within the financial statements:

• Documenting our understanding of the Council’s systems for income to identify significant classes of transactions, account balances and disclosures with a risk of material misstatement in the financial statements;
• Evaluating the Council’s accounting policies for recognition of income and expenditure and compliance with the CIPFA Code; and
• Substantively testing material income streams using analytical procedures and sample testing of transactions recognised for the year.</td></tr>
</table>

Significant risks of material misstatement

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

The table below summarises significant risks of material misstatement at the assertion level for classes of transaction, account balances and disclosures.

Identified risk	Planned audit procedures
Fraud in expenditure recognition (rebutted) - relates to Council and Group We have considered Practice Note 10, which comments that for certain public bodies, the risk of manipulating expenditure could exceed the risk of the manipulation of revenue. We have therefore also considered the risk of fraud in expenditure at the Council, and we are satisfied that this is not a significant risk for the reasons set out below: • there is little opportunity available to manipulate expenditure recognition; • there is limited incentive to manipulate expenditure recognition • the Council's existing expenditure transactions do not provide a significant opportunity to manipulate income between years in any meaningful way or to adopt aggressive recognition policies. • significant amount of expenditure is in relation to pay, and • non-pay expenditure reflected in the Council's financial statements exhibits a straightforward nature, characterised by reduced subjectivity, and there is little incentive to management to manipulate expenditure. **Inherent risk of material misstatement (completeness, existence and occurrence): Low**	Whilst we have rebutted the risk of fraud in expenditure recognition, we will perform the below procedures based on their value within the financial statements: • Documenting our understanding of the Council's systems for expenditure to identify significant classes of transactions, account balances and disclosures with a risk of material misstatement in the financial statements; • Evaluating the Council's accounting policies for recognition of expenditure and compliance with the CIPFA Code; • Substantively testing material expenditure streams using analytical procedures and sample testing of transactions recognised for the year; and • Performing substantive testing on expenditure transactions at and around the year end to verify the accounting period that the transactions relate to and confirm that transactions have been recognised in the correct accounting period.

Significant risks of material misstatement

Identified risk	Planned audit procedures
Valuation of other land and buildings and investment property (key accounting estimate) - relates to Council and Group Revaluation of other land and buildings and investment property should be performed with sufficient regularity so that carrying amounts are not materially misstated. Management engaged the services of a qualified valuer, who is a Regulated Member of the Royal Institute of Chartered Surveyors (RICS), to undertake these valuations as at 31 March 2025. 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. These valuations represent a key accounting estimate made by management within the financial statements due to the size of the values involved, the subjectivity of the measurements and the sensitive nature of the estimate to changes in key assumptions. We have therefore identified the valuation of other land and buildings and investment property as a significant risk. 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 in-year valuation movements falls outside of our expectations. **Inherent risk of material misstatement (valuation): High**	Procedures performed to mitigate risks of material misstatement in this area will include: • Evaluating management processes 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 management's 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. We will consider whether we require an auditor's expert; • 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 different to the current value.

Significant risks of material misstatement

Identified risk	Planned audit procedures
Valuation of the defined pension fund net liability (key accounting estimate) - relates to Council and Group An actuarial estimate of the net defined 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. 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. 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. This represents a key accounting estimate made by management within the financial statements due to the size of the values involves, 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. **Inherent risk of material misstatement (valuation): High**	Procedures performed to mitigate risks of material misstatement in this area will include: • 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; • Evaluating whether any asset ceiling was appropriately considered (if applicable) when determining the value of any pension asset included in the financial statements; • Assessing the impact of any significant differences between the estimated gross asset valuations included in the financial statements and the Council's share of the investment valuations in the audited pension fund accounts'; and • Ensuring pension valuation movements for the year and related disclosures have been correctly reflected in the financial statements.

Significant risks of material misstatement

Identified risk	Planned audit procedures
Incorrect capitalisation of revenue expenditure – relates to Council and Group We have assessed that the risk of misreporting revenue outturn in the financial statements is most likely to be achieved through: • 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. 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. In 2024/25, the Council has capitalised £6.8m of capital expenditure. **Inherent risk of material misstatement (classification, valuation): High**	Procedures performed to mitigate risks of material misstatement in this area will include: • 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.

Other risks of material misstatement

Other identified risks

Other identified risks are those which, although not considered to be significant, will require specific consideration during the audit.

Identified risk	Planned audit procedures
Implementation of IFRS 16 (key accounting estimate) – relates to Council and group IFRS 16 was adopted and implemented by local government bodies under the Code of Audit Practice from 1 April 2024. Under IFRS 16 a lessee is required to recognise a right of use asset and associated lease liability in its Balance Sheet. This will result in significant changes to the accounting for leased assets and the associated disclosures within the financial statements for the year ended 31 March 2025. As of 31 March 2024, the council does not have any material operating leases. Notwithstanding this, the Council will need to consider the impact of IFRS16 and undertake procedures to identify whether it has any ‘right of use’ assets as defined under the standard. We are currently waiting for the Council confirmation of the impact for 2024/25. We note that no right of use assets appear to have been accounted for in the draft financial statements and await management’s assessment of how it arrived at this conclusion.	Procedures performed to mitigate risks in this area will include: • 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 2025 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.

Other risks of material misstatement

Identified risk	Planned audit procedures
Minimum revenue provision – relates to Council 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.	Procedures performed to mitigate risks of material misstatement in this area will include: • 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 • Evaluating the appropriateness of the Council's MRP policy • Evaluating whether MRP has been appropriately calculated in accordance with the revised statutory guidance.

Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as those adopted for the risks identified in this report.

Value for money

Under the Code of Audit Practice, we must satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (referred to here as "Value for Money", or "VFM").

NAO Auditor Guidance Note 03 'Auditors' Work on Value for Money Arrangements' ("AGN 03") was updated and issued on 14 November 2024 and 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 that it makes informed decisions and properly manages its risks
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

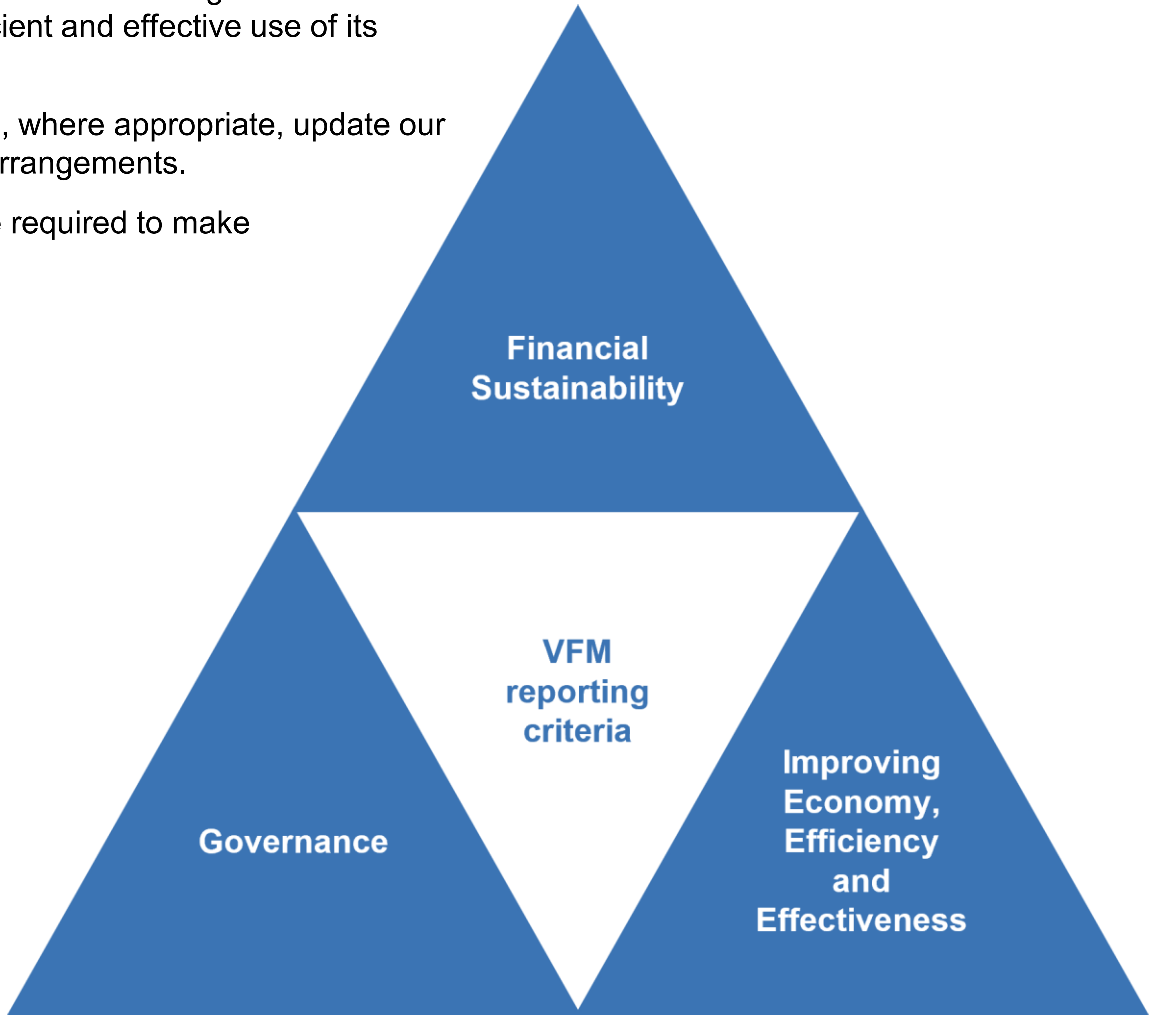
Value for Money

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 course of the audit and, where appropriate, update our work to reflect emerging risks or findings that may suggest a significant weakness in arrangements.

Where we identify significant weaknesses in arrangements as part of our work, we are required to make recommendations setting out:

- Our judgement on the nature of the weakness identified;
- The evidence on which our view is based;
- The impact on the local body; and
- The action the body needs to take to address the weakness.



Value for Money

Risks of significant weakness in VFM arrangements

We have carried out an initial risk assessment to identify any risks of significant weakness in respect of the three specific areas of proper arrangements using the guidance contained in AGN 03. A significant weakness is a risk requiring audit consideration and procedures to address the likelihood that proper arrangements are not in place at the body to deliver value for money.

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

When considering the Council's arrangements, we will have regard to the three reporting criteria set out in AGN03, as well as performing additional work in the areas identified below which are the potential areas of significant weaknesses we have identified at the planning stage.

Criteria	Potential risk of significant weakness	Our risk-based procedures and evaluation approach includes (but is not limited to)
Financial sustainability	None identified	We have not identified any risks of significant weakness at this stage. However, there are financial risks present which, if not managed effectively over the short term, could introduce significant weakness in future years. The scale of savings required to continue to set a balanced budget and maintain reserves at an appropriate level does however significantly increase in future years. The Council is cognisant of the fact it will need to respond in full to the recommendations set out in the Finance Peer Review from 2024, strengthen the arrangements in place to monitor, deliver and report on savings requirements and ensure the reserves strategy is fully aligned with financial risk. We reported these issues in our Auditor's Annual Report in 2023/24 and will follow up on the recommendations raised from the prior year.
Governance	Yes	Risk of significant weaknesses identified in the arrangements to support financial reporting requirements
Improving economy, efficiency and effectiveness	None identified	We have not at this stage identified any risks of significant weakness that require specific audit procedures. However, there are risks present which, if not managed effectively, could introduce significant weakness in future years, particularly in relation to future capital programmes and asset disposals. We reported these issues in our Auditor's Annual Report in 2023/24 and will follow up on the recommendations raised from the prior year.

Weaknesses or risks identified by auditors are only those which have come to their attention during their normal audit work in accordance with the Code of Audit Practice and may not be all that exist.

Audit team and logistics

Your audit team

Role	Name	Contact details
Key Audit Partner	Paul Grady	Paul.Grady@azets.co.uk
Engagement Manager	Martha Charima	Martha.Charima@azets.co.uk
In-charge auditor	Owen Jones	Owen.Jones@azets.co.uk

Timetable

Event	Date
Planning and risk assessment	Dec 2024 to Sept 2025
Reporting of plan to Audit and Governance Committee	Sept 2025
Publication of draft accounts	30 June 2025
Year end audit	From July 2025
Auditor’s Annual Report (AAR)	Nov 2025
Reporting of Audit (ISA260)	Feb 2026
Target date of approval of accounts	Feb 2026
Accounts publication deadline (as specified in the Accounts and Audit (Amendment) Regulations 2024)	27 Feb 2026

Our expectations and 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 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.

The audit process is underpinned by effective project management to ensure that 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

Auditor independence

We confirm that we comply with the Financial Reporting Council's (FRC) Ethical Standard and are able to issue an objective opinion on the financial statements. We have also complied with the NAOs Auditor Guidance Note 01, issued in September 2022, which contains supplementary guidance on ethical requirements for auditors of local public bodies. We have considered our integrity, independence and objectivity in respect of audit services provided and we do not believe that there are any significant threats or matters which should be bought to your attention.

Other services

We have detailed in the table below any other services provided to the Council (and the Group), the threats to our independence these present and the safeguards we have put in place to mitigate these threats.

Service	Provided to	Fee	Safeguards to mitigate threats to independence
Audit related: Certification of Housing Benefit Assurance Process (HBAP) claim (2024/25)	Council	£28,000 plus per diem rate for additional work required.	**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 Borough Council. The fee is fixed (apart from an additional £2,000 for each additional 40+ workbook) and not contingent in nature. **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. **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. We therefore consider these risks sufficiently mitigated.

Fees

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.

Our estimated fee (excluding VAT) is as follows. 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.

	2024/25 £
Scale fee: base fee for the audit of the Council and Group's financial statements (as set out in the fee scales issued by PSAA)	180,854
IFRS16: work needed to audit the new standard. PSAA have confirmed this work is not included in the above scale fee	TBC
Disclaimer work (**note 1**)	TBC
Build back work (**note 2**)	TBC
Total audit fee for East Hertfordshire District Council	**TBC**

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.

Our policy is to raise fees to account at appropriate stages of the audit in line with specified milestones set out by PSAA. All fee variations are subject to determination by PSAA.

The approximate total fees charged to the Council and group for the provision of services in 2024/25 is as follows:

Audit fee	2024/25 £
Audit of the Council (as above)	180,854
IFRS 16	**TBC**
Certification of the HBAP Claim (Excluding additional workbooks)	28,000
Additional certification work on HBAP claim (additional workbooks)	TBC
Total fees for the Council	**TBC**

Note 1*: this includes the additional annual work required to consider the disclaimed audits from prior years, development of revised approach for the Council in response to the missing assurance, the production, agreement and reporting of additional interim progress reports to management and the Audit and Governance Committee, the development and reporting of a revised 'Audit Completion Report' for reporting the additional considerations arising from the disclaimers, the drafting of a disclaimed audit report and the various risk, compliance and technical consultations arising as a result of this unique and unprecedented situation.*

Note 2*: this includes all work for phases 2 and 3 which require building back assurance to the last clean opinion*

Appendix I: Group audit scope and risk assessment

As Group auditor under ISA (UK) 600 (Revised September 2022) we are required to obtain sufficient appropriate audit evidence regarding the financial information of the components and 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.

The auditing standard for group engagements has been revised, as a result the key changes that you may see reflected in the audit plan are:

- Revisions to the definitions of a group and component extend the scope of the ISA to encompass a wider range of group scenarios. This means that a single legal entity could fall under the scope of the group's ISA based on its internal structure, while multiple legal entities may sometimes be defined as a single component;
- There is increased leadership responsibilities and involvement requirements for the group engagement leader, particularly when component auditors are utilised;
- There is a specific requirement for all component auditors to confirm their ability and willingness to comply with the FRC's Ethical Standard;
- The analytical/desktop review designation has been removed from the scope of procedures performed over a component in response to risk.

Group audit scope

The Group consists of the following entities:

Component	Nature and extent of further audit procedures	Planned audit approach
East Hertfordshire District Council	Full Scope	Full scope statutory audit, as set out in this audit plan.
Millstream Property Investments Ltd	Specific scope	Specific scope procedures to be performed by the group engagement team

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 No further audit procedures required.

The risks identified at the Council and group level are set out in this external audit plan. 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 company-by-company basis.

AZETS

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

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