



East Hertfordshire District Council

Audit Completion Report for Those Charged with Governance

Year ended 31 March 2024

August 2025



Audit and Governance Committee
East Hertfordshire District Council
Wallfields
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SG13 8EQ

August 2025

Dear Audit and Governance Committee Members

East Hertfordshire District Council – Completion report for Those Charged with Governance for the year ended 31 March 2024

This Audit Completion Report summarises the approach and outcomes arising from our audit for the benefit of Those Charged with Governance, as required by International Standard on Auditing (UK) 260, the National Audit Office Code of Practice 2024 (the 'Code') and associated Auditor Guidance Notes. The contents of this report relate only to those matters which came to our attention during the conduct of our audit procedures and have been discussed with management.

We were appointed as auditors to perform the audit in accordance with International Standards on Auditing (UK) (ISAs (UK)), which are 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.

Statutory Instrument (2024) No.907 - "*The Accounts and Audit (Amendment) Regulations 2024*" (the SI) imposed a backstop date of 28 February 2025 by which date we were required to issue our opinion on the financial statements. The **Accounts and Audit Regulations 2015**, as amended by the **Accounts and Audit (Amendment) Regulations 2024**, imposed a statutory backstop date of 28 February 2025 for the publication by the Council of their final Statement of Accounts for 2023/24. The **Code of Audit Practice (2024)** (the Code) issued by the National Audit Office (NAO) on behalf of the Comptroller and Auditor General (the Code) specifies that auditors are required to issue their auditor's report before this date, even if planned audit procedures are not fully complete, so that local government bodies can comply with these statutory reporting timescales.

We were unable to issue our disclaimed opinion on the financial statements for 2023/24 by the backstop date as, at this date, the Council had not actually produced any financial statements upon which an opinion could be issued. The Council subsequently published the 2023/24 accounts on 30 April 2025. As this date was two months after the backstop date, the time constraints mean that we cannot complete all necessary procedures to obtain sufficient, appropriate audit evidence to support the opinion and fulfil all the objectives of all relevant ISAs (UK). This decision is in line with **ISA 200: Failure to Achieve an Objective 24**.

If an objective in a relevant ISA (UK) cannot be achieved, the auditor shall evaluate whether this prevents the auditor from achieving the overall objectives of the audit and thereby requires the auditor, in accordance with the ISAs (UK), to modify the auditor's opinion or withdraw from the engagement (where withdrawal is possible under applicable law or regulation).

Auditors have to consider whether the time constraints imposed by the backstop date mean that they cannot complete all necessary procedures to obtain sufficient, appropriate audit evidence to support their opinion and fulfil all the objectives of the ISAs (UK). For 2023/24, the time constraints are further restricted by the fact that the statutory backstop date of 13 December 2024 for outstanding periods to 31 March 2023 – all preceding audit periods – resulted in the issue of disclaimed audit opinions by the Council's predecessor auditor for the financial years ended 2022/23 and 2021/22. These were issued on 23 April 2025, four months after the backstop date. This means we have no assurance on the Council's opening balances as at 1 April 2024.

Taking the above into account, for the year ended 31 March 2024 we have determined that we cannot meet the objectives of the ISAs(UK) and we anticipate issuing a disclaimer of opinion in our auditor's report.

In completing our work for this audit year we have taken into account [Statutory Instrument \(2024\) No. 907](#) - "The Accounts and Audit (Amendment) Regulations 2024" and [Local Audit Reset and Recovery Implementation Guidance](#). We have also taken into account the requirements of the [Local Audit and Accountability Act 2014](#), the National Audit Office's [Code of Audit Practice \(2024\)](#), the [Statement of Responsibilities](#) (from 2023/24 audits) issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements.

The responsibilities of the Council and Those Charged with Governance remain unchanged. The Council's Responsible Finance Officer has a responsibility under The Accounts and Audit Regulations 2015 to confirm that the Accountability Statements included in the Statement of Accounts give a true and fair view. Those Charged with Governance have an essential role in ensuring that it has assurance over the quality and accuracy of the financial statements prepared by management and the Council's wider arrangements to support the delivery of a timely and efficient audit. The Public Sector Audit Appointment Limited's [Statement of Responsibilities](#) (paragraphs 26-28) clearly set out what is expected of audited bodies in preparing their financial statements (see Appendix III).

Alongside our audit of the financial statements, 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, including reporting these in our auditor's report. We consider and report on the adequacy of the Council's financial reporting arrangements and the effectiveness of the Audit and Governance Committee, as the Council's body charged with governance, in fulfilling its role in those arrangements as part of our assessment of Value for Money arrangements. We also consider the use of other statutory reporting powers to draw attention to weaknesses in those arrangements where we consider it necessary to do so.

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Where, as part of our work, we identify control weaknesses we also report these to you. However, our audit is not designed to test all internal controls or identify all areas of control weakness. 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.

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

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

Yours sincerely

Paul Grady

Key Audit Partner

For and on behalf of Azets Audit Services



This report has been prepared for the sole use of the Council's management and Those Charged with Governance. It 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. To the fullest extent permitted by law, we do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting, on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Executive summary

This section summarises for those charged with governance the work we performed on the Council's financial statements, our findings on your value for money arrangements and other matters arising from the statutory audit of East Hertfordshire District Council for the year end 31 March 2024.

Under International Standards on Auditing (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice 2024 ('the Code') we were appointed to report on 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 other matters under the Code of Audit Practice (2024), including any significant weaknesses we have identified in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.

Context for the audit

Timely, high-quality financial reporting and audit of local bodies is vital. It supports good decision making by local bodies and ensures transparency and accountability to local taxpayers. There is general agreement that the backlog in the publication of audited financial statements by local bodies has grown to an unacceptable level and that all stakeholders in the sector need to work together to address this. The factors which have led to this situation are widespread and varied. These include the following:

- Increased complexity of financial and other reporting requirements within the sector
- Increased volume of complex capital and income generation transactions which require specialist accounting and auditing expertise and which take significantly more time to prepare and audit
- Lack of capacity within local authority financial reporting professions and audit firms with specialist public sector experience
- Increased regulatory pressure on auditors, which in turn has increased the scope and extent of audit procedures performed

The Ministry of Housing, Communities and Local Government (MHCLG), formerly the Department of Levelling Up Homes & Communities (DLUHC), has worked collaboratively with the Financial Reporting Council (FRC) and other system partners including the NAO to develop and implement measures to clear the backlog.

In July 2024, the Minister for MHCLG issued a statement confirming the government's plans to:

- **Reset** and clear the backlog through the setting of a statutory backstop date of 13 December 2024 for any outstanding financial statements for financial years to 2022/23;
- **Recover** assurance over a five-year period to 2027/28 to avoid a recurrence of the backlog through the setting of further backstop dates for financial years 2023/24 to 2027/28; and
- **Reform** the local audit system to address the systemic challenges and embed timely financial reporting and audit.

Statutory Instrument (2024) No. 907 - "The Accounts and Audit (Amendment) Regulations 2024" (the SI), together with the updated NAO Code of Audit Practice 2024 and the Local Audit Reset and Recovery Implementation Guidance give effect to the ministerial statement and have all been developed to ensure auditor compliance with International Standards on Auditing (UK) (ISAs (UK)).

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Executive summary

Statutory backstop dates were published in The Accounts and Audit (Amendment) Regulations 2024, which were approved by Parliament and came into force on 30 September 2024. These regulations were subsequently incorporated into The Accounts and Audit Regulations 2015 (as amended).

Alongside this updated legislation the NAO updated the Code of Audit Practice (the Code) to reflect the statutory backstop requirements. The 2024 Code was approved by Parliament on 14 November 2024. At the same time the NAO issued the Local Audit Reset and Recovery Implementation Guidance (the LARRIGs) to facilitate auditor compliance with International Standards on Auditing (UK) (ISAs (UK), which were endorsed by the FRC.

The Council's 2021/22 and 2022/23 audits were concluded in April 2025. The 2021/22 and 2022/23 audits were disclaimed on 23 April 2025, resulting in a lack of assurance on the Council's opening balances at 1 April 2024.

As a result of the system wide implementation of backstop dates we intend to issue a disclaimer of the audit opinion on the Council's 2023/24 accounts.

Financial statements – the 2023/24 audit

The statutory deadline for councils to issue unaudited financial statements for 2023/24, as set out in the Accounts and Audit Regulations 2015 (as amended), was 31 May 2024. The Accounts and Audit Regulations 2015 required the Authority to make its financial statements for the year ended 31 March 2023 available for public inspection by the first working day in June 2023.

Whilst we had undertaken as much work as possible ahead of this date in support of the 2023/24 audit, we were not able to commence our work on the financial statements before the accounts were submitted to us.

The Council issued its unaudited financial statements on 30 April 2025, nearly a year after the statutory deadline. The public inspection period ran from 30 April 2025 to 13 June 2025. Although we undertook as much preparatory, planning and interim work as possible in support of the 2023/24 audit, we were not able to commence our work on the financial statements before the accounts were submitted to us. The Council's delay in publishing the 2023/24 accounts was due in part to the fact the audits for prior years were not completed until 23 April 2025.

The absence of assurance over opening balances resulting from the disclaimers of opinion issued over the prior years, combined with the statutory backstop date for 2023/24 having passed before the accounts were published, restricted the audit procedures that we had planned to undertake to gain assurance on the Council's 2023/24 financial statements. These planned procedures were first reported in our audit plan in January 2024 and updated in our progress reports shared with the Audit Committee in May 2024 and November 2024. We also experienced significant delays in the receipt of information from the Council, as officers were also dealing with the 2021/22 and 2022/23 audits, which impeded the progress of the 2023/24 audit prior to the production of the financial statements and resulted in additional costs. Given the backstop date had already passed two months before the 2023/24 accounts were published, there is insufficient remaining time and resource available to obtain sufficient appropriate audit evidence to conclude that the 2023/24 financial statements as a whole are free from material misstatement, including recovering missing assurance from earlier years. We therefore plan to issue a disclaimer of the audit opinion on the Council's 2023/24 accounts. We have included the draft wording of our Audit Report alongside this document for your information.

We have prioritised available resources in carrying out audit procedures which will provide us with audit information which we can accrete to future audit periods in line with the guidance set out in the LARRIGs.

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Executive summary

We have undertaken the following planning tasks:

- Required independence procedures;
- Determination of materiality at the planning stage and reconsideration upon receipt of the financial statements;
- Made inquiries of management, Those Charged with Governance and internal audit;
- Procedures in relation to understanding the entity and its environment, and in assessing the control environment in place;
- Planning procedures in relation to applicable laws and regulations;
- Planning assessment and consideration of the Council's related party transactions;
- Review of key Council minutes;
- Review of internal audit reports and findings produced;
- Assessment of competence and capability of experts used by the Council in the preparation of the financial statements;
- Undertaking planning analytical procedures and follow up with management;
- Updated our understanding of the business, including through review of responses to inquiry letters, minute review and in discussion in our internal planning meetings and through our review and documentation of business processes and walkthrough procedures, where possible, including our review of IT General Controls and additional procedures required under ISA (UK) 315;
- Detailed walkthroughs of the following material systems related to identified significant risks: general ledger and journals, investment property valuation;
- Risk-based scoping of audit procedures at the financial statements level and at the assertion level;
- Identified significant risks of material misstatement;
- Considered any other matters that may require reporting to regulators, or which may result in a modification to the audit report, e.g. non-compliance with laws and regulations, objections, significant weaknesses in arrangements for value for money and any matters that may result in the use of the auditor's powers;
- Production, agreement of the audit plan (January 2024) and interim progress report (January 2024 and November 2024 respectively).

In order to issue our auditor's report, we require completion of the following matters:

- Receipt and review of the management representation letter
- Receipt and review of the final amended, approved Statement of Accounts.
- Responses from management regarding subsequent events up to the date of the opinion and completion of subsequent events audit procedures.
- Final engagement lead 'stand-back' review of the file.

We will continue to consider existing and new information which could influence our final audit report (opinion), a current draft of which is provided as an additional document alongside this report.

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Executive summary

The Council's Chief Financial Officer is responsible for ensuring that the Council has adequate internal controls in place to produce financial statements that give a true and fair view and for reconfirming the material accuracy of the financial statements before they are approved by the Audit Committee.

Where, from our procedures performed, we have identified errors or misstatements in the financial statements, disclosure errors, or inconsistencies with the prior year, we report these in this report. Any such matters reported are not exhaustive due to the lack of time available to complete our work. We are unable to confirm if there are any other misstatements in the financial statements for 2023/24 beyond those reported in this report.

During our work we identified some deficiencies in your internal controls which are set out in Appendix 1.

Value for money

We are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We have completed our value for money work, and our detailed findings are presented in the Auditor's Annual Report, which will be issued alongside this Audit Completion Report.

In 2022/23 the predecessor auditor identified significant weaknesses in the Council's arrangements for the preparation and publication of financial statements. As a result the auditor made Statutory Recommendations under Schedule 7(2) of section 24 of the Local Audit and Accountability Act 2014 (as amended) (the Act).

As the recommendations were only raised formally in April 2025 there is insufficient time for any of the responses to have been implemented at this date. Accordingly the significant weaknesses remained present during 2023/24 and we have concluded accordingly.

As the Council considered the statutory recommendations at a public meeting, as required by the Act, we have not re-issued further statutory recommendations but have made key recommendations in respect of the significant weaknesses identified in respect of governance. We have also raised other recommendations for improvement across all three criteria.

Statutory duties

The Local Audit and Accountability Act 2014 (the Act) requires us to: report to you if we have applied any of the additional powers and duties available to us under the Act; and certify the closure of the audit.

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Council to consider it, or to bring it to the attention of the public.

Whilst the statutory recommendations raised in April 2025 (as part of the 2022/23 audit) are not implemented as there has yet not been sufficient time to do so, the Council has commenced its response and considered the statutory recommendations in public, in line with legislative requirements. We have therefore not raised new statutory recommendations in the same area, pending the Council's implementation of responses to those previously raised. We have not exercised any other statutory powers or duties available to us for 2023/24.

We expect to certify the closure of the audit within our auditor's report.

Quality indicators

The following metrics are important in assessing the reliability of your financial reporting and response to the audit

KEY:
RED: Significant improvement required
AMBER: Developing
GREEN: Mature

Metric	Grading	Commentary
Timeliness of draft financial statements	Red	Under The Accounts and Audit Regulations 2015 the deadline for the production and approval for the draft financial statements was 31 May 2024. The Council did not prepare its draft accounts in line with this deadline as, at the time, the prior year audit had not been concluded. The draft financial statements were published and made available for inspection on the Council's website on 30 April 2025, 11 months after the statutory deadline for publishing draft accounts and 2 months after the statutory backstop for publishing audited financial statements.
Quality of working papers provided and adherence to timetable	Red	There was a significant delay in the provision of the working papers, which was in part attributable to the need to finalise the closure of the 2021/22 and 2022/23 financial accounts, as these had yet to be concluded by the predecessor auditor. This also resulted in significant delays in the provision of information throughout the planning and interim phases of the audit, resulting in the need to schedule additional interim visits and resulting in substantial additional costs.
Timing of key accounting judgements	Red	Due to delays in the finalisation of the accounts and the constraints imposed by the backstop date, we have not been able to assess the timing and quality of key accounting judgements, other than noting the timeliness of these judgements being made was significantly later than the required statutory deadlines.
Access to finance team and other key personnel	Amber	The finance team responded to our audit queries to the best of their ability. However, their capacity to engage was constrained by the need to prioritise the closure of the outstanding 2021/22 and 2022/23 audits led by the predecessor auditor. As a result, interaction with the finance team during the audit was subject to cancellations, delays and resulted in the need to schedule additional interim visits and meetings.
Timeliness of Narrative Report and Annual Governance Statement	Red	Under The Accounts and Audit Regulations 2015 the deadline for the production and approval for the draft financial statements was 31 May 2024. The Council did not prepare its draft accounts in line with this deadline as, at the time, the prior year audit had not been concluded. The Annual Governance Statement and Narrative Report were published and made available for inspection on the Council's website on 30 April 2025, 11 months after the statutory deadline for publishing draft accounts and 2 months after the statutory backstop for publishing audited financial statements.
Volume and magnitude of identified errors	Amber	We have reviewed the draft financial statements for internal consistency, arithmetic accuracy and to assess whether the comparators in the 2023/24 financial statements agree with the figures in the 2022/23 audited financial statements. Our work has not identified any significant exceptions, which indicates the accounts produced are of a reasonable quality. Notwithstanding this, we have determined that the imposition of the backstop date, combined with the delayed publication of the financial statements for the year ended 31 March 2024, has created significant time constraints which impede our ability to complete all necessary procedures to obtain sufficient appropriate audit evidence and to fulfil the objectives of all the relevant ISAs (UK) in relation to balances. As a result of the material and pervasive nature of missing assurance, and the fact the statutory backstop date of 28 February 2025 for the 2023/24 audit passed two months before the draft accounts were published, we intend to issue a disclaimer of opinion in our audit report.

Audit scope and general approach

This section 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).

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.

Scope and general approach

Our objective when performing an audit is to obtain reasonable assurance as to 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:

- Perform risk assessment procedures including updating our understanding of the Council, 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 reported the significant and other risks we had identified in our audit plan. We provided updates in our progress report shared with the Audit and Governance Committee in November 2024.

Work undertaken in 2023/24

2023/24 is our first year of appointment as external auditors to East Hertfordshire District Council. We commenced our audit in September 2023 and have undertaken planning procedures and interim testing procedures, including additional work required under ISA (UK) 315. Subsequent to our appointment, MHCLG introduced statutory backstop dates, including for the 2023/24 audit.

Statutory Instrument (2024) No. 907 - "The Accounts and Audit (Amendment) Regulations 2024" (the SI) imposes a backstop date of 28 February 2025. By this date we were required to issue our opinion on the financial statements.

We have considered whether the time constraints resulting from the backstop date, along with the delay in producing the financial statements for the year ended 31 March 2024, prevent us from completing all necessary procedures to obtain sufficient and appropriate audit evidence to support the opinion and fulfil all the objectives of all relevant ISAs (UK).

This decision is in line with ISA 200: Failure to Achieve an Objective 24.

If an objective in a relevant ISA (UK) cannot be achieved, the auditor shall evaluate whether this prevents the auditor from achieving the overall objectives of the audit and thereby requires the auditor, in accordance with the ISAs (UK), to modify the auditor's opinion or withdraw from the engagement (where withdrawal is possible under applicable law or regulation).

Taking the above into account, for the year ended 31 March 2024 we have determined that we cannot meet the objectives of the ISAs (UK) and we anticipate issuing a disclaimer of opinion.

Materiality

Under ISA (UK) 260 'Communication with those charged with governance', 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;
- **material** as an omission or misstatement that 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 business and the needs of the users.

As set out in our audit plan, we determined materiality at the planning stage as £1.45m for the group and £1.35m for the Council based on 2% of gross expenditure of the last available draft financial statements. At the time, this was the unaudited financial statements for 2020/21. On production of the financial statements for 2023/24 we reconsidered our materiality determination. Updated materiality figures for the 2023/24 draft accounts are set out below.

We have determined that no specific materiality levels need to be set for this audit.

Materiality area	Planning (Group) £000	Planning (Council) £000	Final (Group) £000	Final (Council) £000	Explanation
Overall materiality for the financial statements	1,450	1,350	1,750	1,660	This is the equivalent of 2% of gross revenue expenditure based on the 2023/24 draft financial statements. This is based on the risk profile of the Council and its primary objective to deliver public services. This is a common measure for calculating materiality for councils as the users of the Council's financial statements are considered to be most interested in where the Council and Group has expended their income during the year.
Performance materiality	870	810	1,050	996	Performance materiality has been set at 60% of overall materiality. This is based on the internal control environment of the Council and reflects our risk assessed knowledge of the potential for errors occurring. It is intended to reduce, to an acceptably low level, the probability that cumulative undetected and uncorrected misstatements exceed materiality for the financial statements as a whole.
Trivial threshold	72.5	67.5	87.5	83	This is set at 5% of the headline materiality calculation. Individual errors above this threshold are communicated to Those Charged with Governance.

Significant risks of material misstatement

This section of our report includes a summary of the significant risk areas we identified during our audit planning that required special consideration. It provides an overview of our risk identification for the year to 31 March 2024. We set out our planned responses to each of these risks in our audit plan.

We have not amended the risks which we reported in our audit plan as formally presented to you on 30 January 2024

Significant risk	Fraud risk?	Planned approach to controls	Level of judgement / estimation uncertainty	Work completed
Prior year opinion on the financial statements	No	N/A	Low	The work we completed is set out on the next page.
Management override of controls	Yes	Assess design & implementation	Low	Due to the missing assurance for prior periods and the time constraints imposed by the statutory backstop we have been unable to complete all our planned procedures on the significant and other risks we identified.
Presumption of fraud in revenue recognition	Rebutted	Assess design & implementation	Low	
Expenditure recognition	Rebutted	Assess design & implementation	Low	As a result of the material and pervasive nature of missing assurance, and the imminent statutory backstop date of 28 February 2025 for the 2023/24 audit, we intend to disclaim the audit in our audit report.
Valuation of land and buildings and investments property	No	Assess design & implementation	High	
Incorrect capitalisation of revenue expenditure	No	Assess design & implementation	Low	
Valuation of pension assets and liabilities (IAS19)	No	Assess design & implementation	High	As above
Change in the Financial System	No	N/A	Low	The planned change in financial system was delayed and so no work was required in this respect for 2023/24.

Significant risks of material misstatement

Identified risk	Audit procedures completed	Outcome
<p>Prior year opinion on the financial statements</p> <p>In our audit plan we highlighted that we had not yet obtained a copy of the audit opinion from your predecessor auditor for the 2021/22 and 2022/23 financial years. We therefore reported that:</p> <ul style="list-style-type: none"> • There was a risk that issues not yet identified in these audit years could impact the current audit year; • There was a further risk that the audit backstop of 13 December 2024 may prevent the prior year audits from being completed, resulting in prior year audit opinions being qualified by a 'limitation of scope' or disclaimed in full. <p>As a result, we reported the significant risk that:</p> <ul style="list-style-type: none"> • there may be 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 pensions valuations and property, plant and equipment valuations, amongst others). • significant transactions, accounting treatment and management judgements may not have been subject to audit 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 periods. 	<p>In response to this risk, we have:</p> <ul style="list-style-type: none"> • considered the findings and outcomes of your prior year audits and their impact on our 2023/24 audit; • considered the impact on our 2023/24 audit of the prior year disclaimed audit opinions you have received from your predecessor auditor, with particular regard to opening balances and 'unaudited' transactions and management judgements made in previous disclaimed years which continue into 2023/24; and • considered the impact of any changes in The CIPFA Code requirements for financial reporting in previous and current audit years. 	<p>The Council's accounts were disclaimed for 2021/22 and 2022/23 under the statutory back stop as there was not sufficient time for the predecessor auditor to complete the audits. This means we have no assurance over the comparators in the 2023/24 financial statements and no assurance over transactions occurring in those years which impact the figures reported in the financial statements for 2023/24.</p> <p>Statutory Instrument (2024) No. 907 - "The Accounts and Audit (Amendment) Regulations 2024" (the SI) imposes a backstop date of 28 February 2025. By this date we were required to issue our opinion on the financial statements. We were unable to do so as the financial statements had not been issued at this time. They were subsequently published on 30 April 2025.</p> <p>We have considered whether the time constraints resulting from the backstop date, along with the delay in producing the financial statements for the year ended 31 March 2024 until after the backstop date had passed, mean that we cannot complete all necessary procedures to obtain sufficient, appropriate audit evidence to support the opinion and fulfil all the objectives of all relevant ISAs (UK).</p> <p>Taking the above into account, for the year ended 31 March 2024 we have determined that we cannot meet the objectives of the ISAs (UK) and we anticipate issuing a disclaimer of opinion.</p>

Other risks and areas of focus

In our audit plan we identified a number of other risks and areas of focus for our audit. Due to the limited time available following the statutory backstop date, and the delay in producing the financial statements for the year ended 31 March 2024 until after the backstop date had passed, we were unable to complete detailed audit testing in certain areas. As a result, we have concluded that we will need to issue a disclaimer of opinion. Any matters identified during the work we were able to complete are reported in the table below.

Areas of focus	Planned audit procedures	Work completed
<p>Minimum revenue provision</p> <p>Linked to the risk of ‘misstatements due to fraud and error’, we consider specific areas where management makes significant judgements that impact charges to the General Fund balance.</p> <p>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.</p> <p>There is a risk that the Council may not been appropriately prudent in its calculation of MRP and/or not followed the relevant statutory guidance.</p>	<p>Procedures performed to mitigate risks of material misstatement in this area will include:</p> <ul style="list-style-type: none"> • Gaining an understanding of the processes and controls put in place by management to calculate Minimum revenue provision • Assessing and reviewing the calculation of the Capital Financing Requirement to ensure it is appropriate and consistent with other notes in the financial statements • Evaluating the appropriateness of the Council’s MRP policy • Evaluating whether MRP has been appropriately calculated in accordance with the revised statutory guidance. 	<p>In 2021/22 and 2022/23, East Hertfordshire District Council did not set aside a Minimum Revenue Provision (MRP), citing a negative Capital Financing Requirement (CFR) during those years. In 2023/24, the Council introduced an MRP provision of £0.6m. However, the level of provision remains relatively low.</p> <p>It is important that the MRP is sufficiently prudent to mitigate long-term financial sustainability risks. A prudent MRP policy ensures that the Council sets aside adequate resources to repay borrowing over time, reducing future financial pressure.</p> <p>Indicators of prudence can be assessed by comparing the MRP to the Council’s CFR and total borrowings. A level of MRP below 2% of the CFR and 3% of total borrowings may indicate increased financial risk. In 2023/24, the Council’s MRP equates to approximately 1% of the CFR and 1% of total borrowings. This suggests a higher risk that the current level of MRP may be insufficient to ensure long-term financial resilience.</p> <p>Due to the missing assurance for prior periods and the time constraints imposed by the statutory backstop and the delay in producing the financial statements for the year ended 31 March 2024, we have not audited the specific calculations behind the MRP.</p>

We request that you review the matters set out in this report (including the above, the significant risks of material misstatement, the audit differences noted within the section “2023/24 work and building back assurance”, the significant matters section and the financial statements: other responsibilities section), to ensure:

- You concur with the resolution of these matters
- There are no further considerations or matters that could impact on these issues which you need to consider; and
- There are no further significant issues which you are aware of that need to be considered before the financial statements are approved.

2023/24 work and building back assurance

Following the commencement of our appointment as external auditors from 2023/24, we began our audit in September 2023 and have worked closely with the Council by:

- Confirming and evidencing our independence to act as appointed external auditors;
- Confirming engagement acceptance and continuance arrangements;
- Establishing working arrangements with the Council's Section 151 Officer and finance team;
- Liaising with each of the three section 151 officers and Chief Finance Officers that have been in post during the period of our audit;
- Undertaking planning procedures in line with the requirements of relevant ISAs (UK) to develop our understanding of the Council, confirm the scope of our external audit and identify and assess risks of material misstatement in the financial statements;
- Issuing audit requests to the Council's finance team using our "Inflo" portal to ensure that both we and the finance team develop an understanding of audit requirements and expectations, and the nature of the information held by the Council to support the financial statements;
- Considering the implications of the statutory backstop legislation and the anticipated assurance likely to be available from the predecessor auditor and considering the impact of these matters on our approach.

As a firm we have invested considerable resources in developing our overall response to the anticipated issuing of disclaimers of opinion for 2022/23 and prior years, and the impact that this has on our audit responsibilities and audit approach for 2023/24 and future years.

Due to the audit complexities caused by the issue of previous disclaimers of opinion, the protracted duration of the audit due to the missed backstop dates and the delays and challenges encountered in progressing the audit, our work has required greater involvement from senior members of the audit team than would normally be the case.

Specific procedures we have undertaken in 2023/24 include the following:

- Responding to any actual or suspected non-compliance with laws and regulations of which we have become aware;
- Reviewing minutes of meetings including, but not limited to, full Council and the Audit and Governance Committee;
- Agreeing opening balances and comparative figures to prior year financial statements;
- Checking financial statements for internal consistency and arithmetic accuracy;
- Undertaking a high-level Audit Manager and Engagement Lead review of the 2023/24 financial statements;
- Confirming whether accounts have been issued and approved in line with The Accounts and Audit Regulations 2015;
- Updating our planning and risk assessment and procedures on receipt of the financial statements (post-statement procedures) including re-considering our materiality thresholds;
- Procedures in respect of subsequent events after the balance sheet date, including enquiries of management;
- Reviewing the form and content of the Narrative Report and Annual Governance Statement;
- Evaluating any misstatements identified;
- Considering the impact of and response to the significant weaknesses identified and statutory recommendations raised by the predecessor auditor;
- Ongoing meetings with each of the three Chief Finance Officers in place during the audit duration and meeting the former Chief Executive; and
- Drafting an Audit Plan, two progress reports, the Audit Completion Report and the Auditor's Annual Report and presenting these to the Audit Committee.

2023/24 work and building back assurance

As per LARRIG guidance issued by the NAO there is a recognition that the process of rebuilding assurance following a previous modified or disclaimed audit opinion will take a number of years, as it will be necessary to rebuild assurance on all balance sheet and CIES areas. Where balances are inherently tied to transactions which occurred during disclaimed periods, particularly reserves, we will need to obtain assurance over these historical transactions. In the case of East Hertfordshire District Council, disclaimers of opinion issued prior to our appointment as auditors for 2023/24 cover the financial years 2021/22 and 2022/23.

As part of our work in 2023/24, we have begun assessing what procedures, carried out in 2023/24, can be used to inform the process of rebuilding assurance in future years. We reported in our progress report in November 2024 the areas in which we aimed to focus our audit efforts.

Where work was able to be undertaken in these areas, we intend to accrete this work into future audit periods to inform the future building back of assurance. We are committed to working with the Council over the term of our appointment towards a position of being able to issue an unmodified opinion. This 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 adopted we have developed our understanding of the Council's systems, process, controls and arrangements for the preparation of the financial statements and have gathered information which may inform the process of rebuilding assurance in future years.

The late production of the financial statements means that, whilst audit time was consumed in liaison, planning, engagement and re-engagement, there are limited areas of the financial statements where work from 2023/24 can be accreted into future years. Specific areas in which we have undertaken work in 2023/24 which could be used as part of the rebuilding assurance process for the Council in subsequent years includes the following:

- IT General controls and work under ISA315;
- Business process documentation and walkthroughs;

Audit differences

We have reviewed the financial statements for internal consistency, arithmetic accuracy and to assess whether the comparators in the 2023/24 financial statements agree with the figures in the 2022/23 audited financial statements.

Our work has not identified any matters to report to you.

We did identify, however, that the Council had incorrectly included the pension asset within the liabilities section of the balance sheet. We have requested management amend this in the final version of accounts.

Due to the imposition of the statutory backstop, there may be other errors in the accounts which have not had time to be subject to detailed audit procedures.

Other matters

We also identified the following matters from our work:

- A number of control recommendations were raised and agreed with management as a result of our work on IT General Controls, undertaken in line with the requirements of ISA315

Group audit

As group auditors, under ISA (UK) 600 (Revised November 2019), during our audit we are required to obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process in order 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 group position for the Council is set out below. We have updated this based on any subsequent changes to the group structure and your draft 2023/24 financial statements. The following table sets out our planned response for the components within the group.

Component	Significant?	Level of response required
East Hertfordshire District Council	Yes	Comprehensive
Millstream Property Investments Ltd	No	Targeted

- Comprehensive** The component is of such significance to the group as a whole that an audit of the component's financial statements is required for group reporting purposes
- Targeted** The component is significant to the Group, audit evidence will be obtained by performing targeted audit procedures rather than a full audit
- Analytical** The component is not significant to the Group and audit risks can be addressed sufficiently by applying analytical procedures at the Group level.

Due to the disclaimed audit position from the prior year, the statutory backstop date for 2023/24 of 28 February 2025 and delays in the production of the financial statements for the year ended 31 March 2024, we have determined that we are unable to complete all planned audit procedures, including work on the group components. As a result, our disclaimer of opinion will apply to both the Council's financial statements and those of the group.

Significant matters

As required by the ISAs, we must notify you of the significant findings from the audit. Due to the time constraints arising from the statutory backstop, we have not been able to complete all our planned audit procedures. We have therefore summarised any significant matters we identified from the procedures we completed in the table below.

Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures, including concerns identified in the following:

- Consultation by management with other accountants on accounting or auditing matters;
- Matters significant to the oversight of the financial reporting process;
- Adjustments / transactions identified as having been made to meet an agreed budget.

Due to the time constraints resulting from the statutory backstop date and the delay in producing the financial statements for the year ended 31 March 2024, we have started but been unable to finalise all planned audit procedures. We have no matters to report in respect of this from the work undertaken to date.

Any significant difficulties encountered during the audit.

Significant delays were experienced throughout the two year audit duration, resulting in the need for additional and re-scheduled visits during the planning and interim phases. Due to the time constraints resulting from the statutory backstop date and the delay in producing the financial statements for the year ended 31 March 2024, we have started but are unable to complete all planned audit procedures.

Any significant matters arising from the audit that were discussed with management, including:

- Significant management judgements where there was disagreement over the judgement;
- Consistency of opening balances with prior year financial statements;
- Inconsistencies between the financial statements and trial balance;
- Findings and issues around the material accuracy of opening balances;
- Any other matters significant to your oversight of the financial reporting process.

Due to the time constraints resulting from the statutory backstop date and the delay in producing the financial statements for the year ended 31 March 2024, we have started but been unable to complete all planned audit procedures. We have no matters to report in respect of this from the work undertaken to date.

Other significant matters - If an objective in a relevant auditing standard cannot be achieved, we are required to evaluate whether this prevents us from achieving the overall objectives of the audit and therefore requires us to modify our auditor's opinion, or to withdraw from the audit engagement (where this is possible under applicable law or regulation). Due to the statutory backstop date, we are unable to meet the objectives of the ISAs (UK) in full and will therefore disclaim our opinion.

Due to the time constraints resulting from the statutory backstop date and the delay in producing the financial statements for the year ended 31 March 2024, we have started but been unable to complete all planned audit procedures.

Financial statements: other responsibilities

As required by the ISAs, we must notify you of other matters if they are significant to your oversight of the Council's financial reporting process. Due to the limited time available following the statutory backstop date, and the delay in producing the financial statements for the year ended 31 March 2024, we were unable to complete all our planned audit procedures. We have therefore summarised any significant matters we identified from the procedures we completed in the table below.

Matter	Commentary	Outcome
Matters in relation to fraud	We have previously discussed the risk of fraud with management and the Audit and Governance Committee and reflected this in our audit plan. We have not subsequently been made aware of any other incidents.	Due to the limited time available following the statutory backstop date, and the delay in producing the financial statements for the year ended 31 March 2024, we were unable to conclude all our planned audit procedures. We have no further matters to report in respect of this beyond those set out elsewhere in this report.
Matters in relation to related parties	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 audit planning you have informed us of the individuals and entities that you consider to be related parties.	Due to the limited time available following the statutory backstop date, and the delay in producing the financial statements for the year ended 31 March 2024, we were unable to conclude all our planned audit procedures. We have no further matters to report in respect of this beyond those set out elsewhere in this report
Matters in relation to compliance with laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations.	Due to the limited time available following the statutory backstop date, and the delay in producing the financial statements for the year ended 31 March 2024, we were unable to conclude all our planned audit procedures. We have no further matters to report in respect of this beyond those set out elsewhere in this report
Written representations	A letter of management representations has been requested from the Council.	Please refer to the letter of representation included alongside this report.

continued....

Financial statements: other responsibilities

Matter	Commentary	Outcome
Confirmation requests from third parties	<p>We requested permission from the Council to send confirmation requests to third parties. All requested confirmations have been received.</p> <p>We also requested management to send letters to those solicitors who worked with the Council during the period. We received responses to all our enquiries.</p>	<p>Due to the limited time available following the statutory backstop date, and the delay in producing the financial statements for the year ended 31 March 2024, we were unable to conclude all our planned audit procedures. We have no further matters to report in respect of this beyond those set out elsewhere in this report</p>
Going concern	<p>Management is required to make and document an assessment of whether the Council 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.</p> <p>As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management’s use of the going concern assumption in the preparation and presentation of the financial statements during our audit and to conclude whether there is a material uncertainty about the entity’s ability to continue as a going concern” (ISA (UK) 570).</p>	<p>Management prepared the financial statements on a going concern basis applying the continuation of services provision set out in the ‘CIPFA Code’ and Practice Note 10. We concur with this assessment.</p> <p>As we will be issuing a disclaimer of opinion, we have not considered whether there are any material uncertainties that would need to be disclosed in the financial statements.</p>

continued....

Financial statements: other responsibilities

Matter	Commentary	Outcome
<p>Other information included in the Financial Statements: Narrative Report and Annual Governance Statement</p>	<p>Under the Code of Audit Practice, we are required to read and 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 and our knowledge obtained from the audit or otherwise appears to be materially misstated. We are required to report by exception if the annual governance statement does not comply with the disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit.</p> <p>Audit Guidance Note 07, issued by the National Audit Office, confirms that where a disclaimer of opinion is issued, we may report that we have not completed this work.</p>	<p>We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Council.</p> <p>As we have concluded we will be issuing a disclaimer of opinion we have not concluded on this work.</p>
<p>Other matters on which we report by exception</p>	<p>We are also required to report by exception:</p> <ul style="list-style-type: none"> • If we have applied any of our statutory powers or duties • Where we are not satisfied in respect of arrangements to secure value for money and have reported significant weaknesses. 	<p>We have concluded there is an on-going significant weakness in governance arrangements relating to the publication of the annual financial statements. Further detail is set out in the Value for Money section of this report and in our Auditor's Annual Report.</p>
<p>Specified procedures for the Whole of Government Accounts (WGA)</p>	<p>We are required to carry out specified procedures on behalf of the NAO on the WGA consolidation pack under WGA group audit instructions. Group instructions were issued in July 2024 which set out the procedures that the NAO require from component auditors.</p> <p>The Council does not exceed the audit threshold for detailed testing set out in the group instructions, Submission of a partial assurance statement is therefore required, However, the instructions state that the NAO may direct auditors of components below the audit threshold to undertake additional work</p>	<p>The requirement to submit our assurance statement to the NAO has expired as the NAO has now concluded and certified the Whole of Government accounts.</p>
<p>Certification of closure of the audit</p>	<p>We are required to certify the closure of the audit on completion of all audit work for the financial year required under the Code.</p>	<p>We expect to certify the closure of the audit within our auditor's report.</p>

Audit adjustments

We are required to report all non-trivial misstatements identified during the audit to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted and unadjusted misstatements and misclassification and disclosure amendments

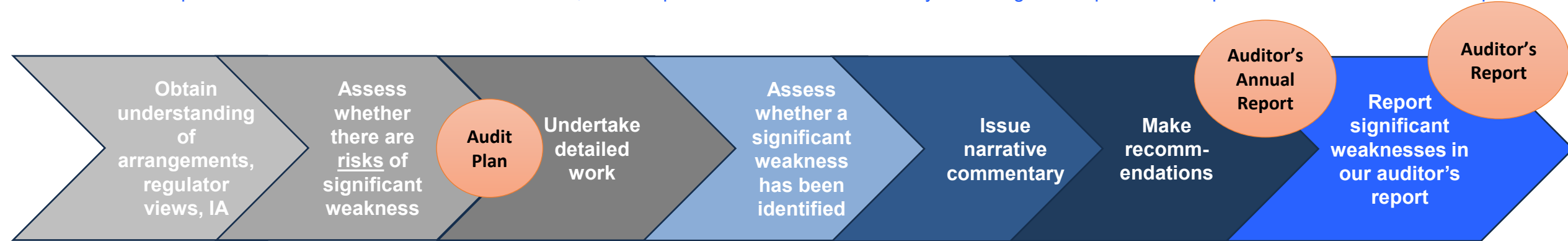
We have determined that the imposition of the backstop has created time constraints which impede our ability to complete all necessary procedures to obtain sufficient appropriate audit evidence and to fulfil the objectives of all the relevant ISAs (UK) in relation to balances.

As a result of the material and pervasive nature of missing audit assurance, the statutory backstop date of 28 February 2025 and delays in the production of the financial statements for the year ended 31 March 2024, we have been unable to obtain sufficient appropriate audit evidence to support our opinion. Accordingly, we intend to issue a disclaimer of opinion in our audit report.

The work we have undertaken to date has not identified any required adjustments to the financial statements. We have also not identified any required misclassification and disclosure changes.

Value for money

We are required to consider whether the Council has established proper arrangements to secure economy, efficiency and effectiveness in its use of resources, as set out in the NAO Code of Practice (2024) and the requirements of Auditor Guidance Note 3 ('AGN 03'). Where significant weaknesses are identified we report by exception in the auditor's opinion on the financial statements. In addition, auditors provide an annual commentary on arrangements published as part of the Auditor's Annual Report.



In undertaking our procedures to understand the body's arrangements against the specified reporting criteria, as set out in AGN 03), we identify whether there are risks of significant weakness which require us to complete additional risk-based procedures. We undertook our planning risk assessment procedures earlier in the year and reported these were subject to the work to be undertaken by the predecessor auditor for the 2022/23 year. In completing our risk assessment procedures, we therefore did not at the time identify any risk of significant weaknesses in the Council's VFM arrangements, subject to the findings of the predecessor work.

The predecessor auditor reported their work for 2022/23 in April 2025 and identified significant weaknesses in the Council's arrangements for the preparation and publication of financial statements. As a result the auditor made Statutory Recommendations under Schedule 7(2) of section 24 of the Local Audit and Accountability Act 2014 (as amended) (the Act). We have updated our planning risk assessment to take account of these reported outcomes.

As the recommendations were only raised formally in April 2025 there is insufficient time for any of the responses to have been implemented at this date. Accordingly the significant weaknesses remained present during 2023/24 and we have concluded accordingly.

As the Council considered the statutory recommendations at a public meeting, as required by the Act, we have not re-issued further statutory recommendations but have 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 on the following pages. These and other issues identified during the course of our value for money work have been also documented in our Auditor's Annual Report.

Value for money: updated risk assessment

The predecessor auditor has reported significant weaknesses in 2022/23 as follows, together with the associated key recommendations.

Criteria	Significant weaknesses reported in 2022/23	Key recommendations made by prior year auditor in 2022/23	Impact on 2023/24 risk assessment
Financial sustainability	No	No	No significant risks identified
Governance	Yes	Yes	Risk of significant weakness identified in the arrangements to support financial reporting requirements
Improving economy, efficiency and effectiveness	No	No	No significant risks identified

Value for money 2023/24 outcome

Reporting criteria	Initial planning – risk of significant weakness identified?	Updated planning – risk of significant weakness identified?	Final – significant weakness identified?	Key recommendations made?	Other recommendations made?
Financial sustainability How the body plans and manages its resources to ensure it can continue to deliver its services	No	No	No	No	Yes
Governance How the body ensures it makes informed decisions and properly manages risk	No	Yes	Yes	Yes	Yes
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	No	No	No	No	Yes

Value for money – significant weakness

These recommendations relate to significant weaknesses we have identified during the course of our work. Progressing the actions management has identified to address the recommendations made will support the Council in addressing the weaknesses identified from our work.

Criteria	Significant weakness	Key recommendations	Response
<p>Governance <i>significant weaknesses in the arrangements to support statutory financial reporting requirements</i></p>	<p>There are significant weaknesses in the Council's arrangements for the preparation and publication of financial statements. In 2023/24, the Council did not produce its financial statements in line with the Accounts and Audit regulations and did not include the required notices on its website. The Council has started responding to the statutory recommendations made in April 2025 by the previous auditor in respect of the significant weaknesses but there has, to date, been insufficient time for these to have been developed, actioned and implemented in full.</p>	<p>1. Finance Function Workflow Review: Conduct a comprehensive review of the finance function workflow to identify bottlenecks in the flow of information and the completion of key finance tasks. Use the findings to redefine roles and responsibilities within the finance team, ensuring an equitable distribution of workload and preventing any single individual from being overburdened.</p> <p>2. Quality Assurance Function Review: Implement a thorough review of the quality assurance process for draft accounts and underlying workpapers. Establish clear timelines for the closedown process, ensuring appropriate segregation of duties between those preparing and those reviewing the draft accounts and workpapers. Monitor adherence to this process and report performance to the Audit and Governance Committee.</p> <p>3. Finance Team Capacity: Re-assess roles, responsibilities and resource requirements for financial reporting across the Council, including an assessment of the support required from other functions within the organisation for the financial reporting function to meet its objectives and to restore timely financial reporting in accordance with the requirements of the Accounts and Audit (Amendment) Regulations 2024.</p> <p>The Council will also need to ensure it can restructure the finance team such that there is sufficient capacity to facilitate annual external audit reviews and the building back of assurance over the disclaimed audit years.</p>	<ol style="list-style-type: none"> 1. The 2021/22 and 2022/23 Statements of Accounts were approved on 22 April 2025. The disclaimed audit opinion was issued on 23 April 2025. 2. The 2023/24 accounts were completed and published on the Council's website on 30 April 2025. 3. The 2024/25 accounts were completed and published on the website on 27 June 2025, in line with the statutory deadline set out in the Accounts and Audit Regulations. 4. The Chief Finance Officer, substantively appointed on 1 April 2025, is considering additional controls to ensure adequate time is given for reviews to be undertaken prior to publication of future financial statements. 5. A review of the Finance team will be undertaken during 2025 to propose a new structure that will address: <ol style="list-style-type: none"> i. potential 'single point of failure'; ii. capability and capacity of the team to ensure it is fit for purpose; iii. consideration of whether individuals have the necessary skills needed to deliver in line with all deadlines; iv. tasks are clearly defined and delivered on time.

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
- **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. A potential conflict was identified at the start of the audit in 2023, details of which are on the next page.

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.

Independence and ethics

As part of our periodic ethical conflict checks across our PSAA portfolio, the following conflict was identified from an associate in our firm who does not work within public sector or commercial audit:

“My mum was a councillor and portfolio holder within the council until May when she gave up her seat and I assume this falls within the financial year being audited.”

This is covered by para 2.55 of the Ethical Standard which states:

‘Where a partner or member of staff of the firm, but who is not a covered person, becomes aware that a person closely associated with them, or a close family member, holds a position described in paragraph 2.53, that individual shall report that fact to the engagement partner, who shall evaluate whether the relationship would compromise independence. If the engagement partner concludes that independence may be compromised, they shall consult with the Ethics Partner/Function to determine whether appropriate safeguards exist. If no such safeguards exist, the firm shall withdraw from the engagement.’

As a firm we have considered this conflict and concluded it is fully mitigated and adequate safeguards exist, as noted below:

- The conflict ceased as of the local government elections in May 2023, and therefore ceased 6-7 weeks into the audit appointment, and before we formally engaged with the Council to commence our appointment.
- Audit appointments are made completely independently of the Council – by PSAA – meaning that there was no opportunity or ability whereby the individual could have influenced our appointment
- The conflict relates to a close family member of a member of staff of the firm, rather than a person closely associated with them, and is therefore slightly further removed from an independence and ‘ability to influence’ perspective.
- There are safeguards in place in that the individual concerned will not work on the audit (and has had no involvement to the audit to date) or in public sector work as a whole and has no access to the audit files. He does not fall under Azets public sector supervision or line management and is otherwise wholly unconnected to the Azets public sector practice.

For these reasons, Azets is content that adequate safeguards exist to fully mitigate the conflict. We formally discussed this matter with PSAA who noted the considerations of the Azets Ethics Team and the mitigations the firm has in place and confirmed they had no concerns with our proceeding with the engagement.

Appendices

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Appendix I: Internal control recommendations

We set out here the recommendations we have identified during the course of our audit. The matters reported here are limited to deficiencies 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. Recommendations arising from our value for money work are reported separately in our Auditor's Annual Report.

Assessment	Issue	Recommendation	Management response
Amber	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 within existing risk registers such as Strategic, Corporate or Operational level risk registers. This will help to ensure that original 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	East Hertfordshire District 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**

Appendix I: Internal control recommendations

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	<p>East Hertfordshire District 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.</p> <p>Mandatory cyber security training is carried out and completion rates can be monitored.</p>	East Hertfordshire District 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.	The Acceptable Use Policy has been approved and is being rolled out. The Information Security Policy is pending approval from the trade unions and will go live by the end of 2025.
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**

Appendix I: Internal control recommendations

Assessment	Issue	Recommendation	Management response
Amber	East Hertfordshire District 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**

Appendix I: Internal control recommendations

Assessment	Issue	Recommendation	Management response
Amber	<p>Access Provisioning: New or modified user access requests should be approved by the line manager, supervisor, or department head prior to access being granted. Segregation of duties should be maintained between the requestor, approver, and provisioner of access.</p> <p>However, it has been confirmed that the system administrator—who is part of the finance team and also performs financial tasks—has the authority to create and remove access and adjust permissions. This results in a segregation of duties (SoD) deficiency. Additionally, there are no formal user access reviews conducted. As a result, inappropriate (including SoD conflicts) or excessive access may be granted to new or modified users of applications relevant to financial reporting processes.</p>	<p>While partially mitigated due to regular financial reconciliations, to further mitigate this risk, it is recommended to enhance the segregation of duties by assigning the responsibility and privileged rights to provision access to the IT team. Where provision of access and access rights remains within the Finance team, the risk can be partially mitigated with the introduction of log and/or peer reviews. Regular access reviews to ensure that access privileges align with job roles and responsibilities, would further enhance the controls effectiveness and security.</p>	<p>Following a recent restructure and now being fully staffed the intention is that the system administrator will no longer perform Finance tasks and concentrate solely on the system administration. A user access review will take place as part of the move to the new version of Advanced. Regular reviews will be undertaken thereafter.</p>
	<p>Password Management: Users accessing in-scope applications or other aspects of the IT environment (e.g. database, operating system, and network layers) should do so using password management controls that are aligned with both the entity's policies and with good practice, such as the National Cyber Security Centre's regular guidance on good password management practices.</p> <p>Users are required to use passwords with a minimum of 8 characters, including at least 2 numbers and 2 alphanumeric characters. Passwords must differ from the account's user ID and be changed every 30 days. Password history and maximum logon attempts are both limited to 3, with administrator reset required after failed attempts.</p> <p>Weak password management controls increase the likelihood of brute-force attacks, a method used by cyber-criminals to crack account credentials.</p>	<p>The password history setting should be increased to retain at least five previous passwords, further strengthening protection against password reuse and enhancing overall security.</p>	<p>New password policy has been rolled out to address this. The move to a newer version of Advanced will give us enhanced password controls.</p>

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

Appendix I: Internal control recommendations

Assessment	Issue	Recommendation	Management response
Amber	The Council's policies that relate to establishing an effective IT security environment should be documented, approved, communicated and acknowledged periodically by staff.	We recommend that a review of policies is undertaken to ensure all policies include key areas in an acceptable amount of detail. Additionally, policies should contain some form of version control and reviewed on a regular basis. Where policies are not in place, such as change management, these should be developed and approved for distribution.	This will be addressed by the end of the year.
	There is a lack of detail in policies as well as a lack of key policies such as change management. Additionally, it is not possible to confirm policies are regularly reviewed. The lack of policy is likely to drive an inconsistent approach to the design, implementation and/or operating effectiveness of the processes and controls.		
Amber	Backup and Recovery: Backups of financial reporting data should occur as planned and such data should be available and accessible for timely recovery in the event of an outage or cyber-attack.	Backups should be tested on a regular basis, in line with the policy requirements.	We acknowledge the importance of regular backup testing in line with policy requirements. We will liaise with our IT colleagues to review current practices and ensure compliance. A plan will be developed and communicated in the near future to address this recommendation and strengthen our backup and recovery processes.
	Backups are not tested despite this being stipulated within the backup policy. Data errors (such as inaccurate, redundant, obsolete or missing data) may occur when converting or migrating data into new systems.		
Amber	The password configuration of the Active Directory does not fully align with the council's password policy, although the enforced parameters are considered stringent.	Password configuration of the Active Directory should be brought in line with the Council's password policy.	New password policy has been rolled out to address this.
	Weak password management controls increase the likelihood of brute-force attacks, a method used by cyber-criminals to crack account credentials.		

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

Appendix I: Internal control recommendations

Assessment	Issue	Recommendation	Management response
Amber	<p>User access should be periodically reviewed / re-certified for ongoing authorisation, validity and to detect leavers and / or access that could pose a risk to segregation of duties.</p> <p>No formal user access reviews are currently conducted. A lack of periodic review could result in inappropriate, excessive, or unauthorised access being retained by users or leavers.</p>	<p>Formally documented user access reviews should be carried out, on an at-least annual basis, with documentation recorded and maintained for a clear audit trail and evidence.</p>	<p>This will be addressed by the end of the year.</p>

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

Appendix II: 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.

The proposed fee reported in our audit plan was based upon the following assumptions:

- Draft financial statements to be produced to a good quality by the agreed deadlines. These should be complete including all notes, the Narrative Report and the Annual Governance Statement;
- The provision of good quality working papers at the same time as the draft financial statements;
- 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;
- Our accounts opinion being unqualified and there being no significant weaknesses identified in your arrangements to secure value for money;
- The auditor's report from the prior year being unmodified (clean opinion);
- An effective control environment is in place at the Council;
- The Council complies with PSAA's Statement of Responsibilities of auditors and audited bodies. See [Statement of responsibilities of auditors and audited bodies from 2023/24 audits – PSAA](#). In particular the Council should have regard to paragraphs 26 - 28 of the Statement of Responsibilities which clearly sets out what is expected of audited bodies in preparing their financial statements. These are set out in full in Appendix III.

Due to the disclaimed opinions from the prior years and the imposition of the statutory backstop for 2023/24, the above assumptions are unable to be met. This has resulted in additional costs, which we have set out in the fee table on the next page. As set out in the joint statement on proposals to clear the backlog and embed timely audit issued by MHCLG (formerly DLUHC), PSAA will use its fee variation process to determine the final fee the Council have to pay for the 2023/24 audit.

Appendix II: Fees

Audit fee	Audit plan 2023/24 £	Proposed final 2023/24 £
Scale fee for the audit of the Council (and Group's) financial statements (as set out in the fee scales issued by PSAA) <i>This includes all of the time incurred during the elapsed two year period the audit has remained ongoing, including the time for completion of planning and interim procedures in full, as well as further costs incurred from scheduling additional visits, re-scheduling planned visits and dealing with delays in the provision of required information throughout the two-year elapsed audit period whilst officers' priorities were rescheduled to focus on previous audits. It also includes additional work on the value for money arrangements in considering and responding to the significant weaknesses and statutory recommendations raised by the predecessor auditor.</i>	165,497	149,950
New auditing standards: ISA315 and ISA240 <i>Significant work involved, over a protracted period, resulting in 15 recommendations being raised.</i>	24,825	24,825
Transfer of data to new financial ledger <i>The implementation of the new financial ledger was delayed, meaning this work was no longer required in 2023/24</i>	18,500	0
Total before impact of disclaimed opinions	208,822	174,775
Additional work arising from current and prior year disclaimers of opinion <i>This includes additional 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 two interim progress reports to management and the Audit 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.</i>	TBC	15,000
Additional work in respect of future 'build back' activity <i>Work undertaken during this audit under the scale fee will also be useable in respect of future build back activity. However, to avoid double counting, we have not raised a separate fee for 2023/24 in respect of work undertaken in good faith in 2023/24 that can now be accreted to future years.</i>	TBC	0
Total audit fee	TBC	189,775
Certification of the HBAP claim <i>The planned fee represents the certification costs before the addition of additional '40+ testing' and additional workbooks.</i>	28,000	TBC
Total fees	TBC	TBC

All fees are subject to PSAA determination.

The fees in the accounts are £208k which reconcile to the original fee set out in the audit plan. The final fee is £174,775 before the inclusion of disclaimer costs, reflecting the work that was not able to be completed as planned but including costs attributable to additional work on VFM and arising from delays to the audit progress throughout the two year period.

Appendix III: PSAA Statement of Responsibilities

Our fee is based on the assumption that the Council complies with PSAA's Statement of Responsibilities of auditors and audited bodies from 2023/24 audits. In particular the Council should have regard to paragraphs 26-28 of the Statement of Responsibilities which clearly set out what is expected of audited bodies in preparing their financial statements. We set out these paragraphs in full below:

Preparation of the statement of accounts

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

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

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

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

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