

East Herts Council Report

Audit and Governance Committee

Date of meeting: Wednesday 26 November 2025

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

Report title: Update on Statutory Recommendation from External Auditors and Finance Peer Review

Ward(s) affected: (All Wards);

Summary – To present the progress made on the Statutory Recommendations presented to Council by the external auditors on 14 May 2025, and to provide an update on the Local Government Association Finance Peer Review reported to members on 25 September 2024.

RECOMMENDATIONS FOR AUDIT & GOVERNANCE COMMITTEE:

- a) That Members note the progress made to date on the Statutory and the Finance Peer Review Recommendations and consider and comment on the actions taken so far.

1. Proposal(s)

- 1.1. To consider the actions taken to date in response to the recommendations arising from the external auditors' statutory recommendations and the Finance Peer Review undertaken by the Local Government Association, and to provide comments as appropriate.

2. Background

Local Government Association (LGA) Finance Peer Challenge – September 2024

- 2.1. The LGA Finance Peer Challenge, reported to Audit & Governance on 25 September 2024, was designed to provide an independent assessment of East Herts' financial resilience and

sustainability. The review examined the council's Medium-Term Financial Plan (MTFP), budget-setting processes, and approach to savings delivery. Key recommendations focused on improving clarity around savings figures, ensuring transparency in financial reporting, and strengthening governance arrangements for monitoring progress. The council committed to implementing an action plan, with oversight through regular updates to Members and integration into the MTFP process.

EY Statutory Recommendations – April/May 2025

- 2.2. The external auditors, EY, issued a statutory recommendation in April 2025, which was subsequently presented to Audit & Governance and then to Full Council in May 2025. These recommendations arose from concerns identified during the audit of the 2021/22 and 2022/23 accounts, particularly around financial governance and timely delivery of savings plans. EY advised strengthening financial controls, improving reporting to Members, and ensuring robust monitoring of savings and budget risks. The council agreed to address these through enhanced governance arrangements, including regular progress reports to Audit & Governance, ensuring accountability and transparency in implementation.

3. Progress to Date

- 3.1. An update on the latest position regarding the recommendations from the LGA Finance Peer Challenge can be found at Appendix A, and the update on the external auditors Statutory Recommendations is provided at Appendix B.

LGA – Finance Peer Review

- 3.2. The Council has made substantial progress in addressing the recommendations from the LGA Finance Peer Challenge. Key actions include:

- **Budget Reporting - mostly completed.**
 - Savings figures are reconciled (for 2025/26 and 2026/27) and included in the MTFP.

- Risk schedules and delegated savings are tracked.
- Rationale for council tax base changes is documented.
- Statement of useable reserves is still ongoing and will be finalised for the budget report.
- **Financial Monitoring - Partially completed, some elements outstanding.**
 - Quarterly monitoring is reported to Members within two months of period end.
 - Portfolio holders are briefed regularly.
 - Establishing a working group for performance metrics and clarifying roles for portfolio holders are still to be confirmed.
- **Capital Monitoring - Completed.**
 - The capital programme is reviewed quarterly to ensure rescheduling reduces reliance on borrowing.
- **BEAM Business Case - Completed.**
 - Reviewed in December 2024 and incorporated into the 2025/26 budget setting report. It remains subject to ongoing review to ensure agility and alignment with the latest information.
- **Working Together - Outstanding**
 - Further work is needed to develop and embed organisation-wide understanding and ownership of the links between the transformation programme, corporate plan, and budget.
- **Medium Term Financial Strategy (MTFS) - Completed and ongoing.**
 - Members received updated MTFP in October and timetable for budget setting.

External Auditors Statutory Recommendations

3.3. Significant progress has also been made in response to the external auditor's Statutory Recommendations as follows:

- **Finance Function Workflow – Ongoing**
 - The Finance Team structure is being reviewed to reduce reliance on specific individuals and address bottlenecks to

improve workflow, with input from senior officers and benchmarking against similar authorities.

- **Quality Assurance Function Review – Ongoing**
 - The quality assurance process for draft accounts has started, with recent accounts reviewed by the new CFO. A timetable for the next closedown is in place, and further improvements – such as formal review checks and weekly oversight meetings – are being considered to ensure proper segregation of duties and ongoing monitoring.
- **Finance Team Capacity - Ongoing**
 - Monthly meetings are in place to focus on financial priorities. The team structure is under review to improve resilience and ensure key areas are properly resourced. The draft 2024/25 accounts were published on time, and Q1 monitoring has been reported.

4. Next Steps

4.1. Progress on the outstanding recommendations will continue and a further update will be presented to a future Audit & Governance Committee early in the new financial year.

5. Risks

5.1. Details within the report.

6. Implications/Consultations

Community Safety

No

Data Protection

No

Equalities

No

Environmental Sustainability

No

Financial

No

Health and Safety

No

Human Resources

No

Human Rights

No

Legal

No

Specific Wards

No

7.0 Background papers, appendices and other relevant material

Background Papers:

- Audit & Governance Committee 25 September 2024 – Local Government Association Finance Peer Challenge
- Audit & Governance Committee 22 April 2025 – External auditors completion report for those charged with governance 2021/22 & 2022/23

Appendix:

- Appendix A - LGA Finance Peer Challenge
- Appendix B – External Auditors Statutory Recommendations

Contact Member

Carl Brittain, Executive Member for Financial Sustainability

carl.brittain@eastherts.gov.uk

Contact Officer

Brian Moldon, Director for Finance, Risk and Performance,

brian.moldon@eastherts.gov.uk

Report Author

Brian Moldon, Director for Finance, Risk and Performance

Brian.moldon@eastherts.gov.uk