



East Hertfordshire Council

Audit Completion Report
Year ended 31 March 2025

February 2026

Contents

Your key team members

Paul Grady
Key Audit Partner
Paul.Grady@azets.co.uk

Martha Charima
Manager
Martha.Charima@azets.co.uk

Owen Jones
In-Charge auditor
Owen.Jones@azets.co.uk

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



Executive summary	3
Quality indicators	8
Audit timeline	9
Materiality	10
Group audit	11
Key audit findings: significant and other risks and areas of focus	13
Accounting policies, key judgements and estimates	34
Other responsibilities	41
Audit adjustments	45
Building back assurance	49
Value for Money	53
Independence and ethics	58

Appendices

Appendix I: Recommendations arising from the audit	62
Appendix II: Fees	79

Additional documents presented

Draft letter of management representations	
Draft audit report (opinion)	

Purpose of this report

This report highlights the significant findings arising from the audit. We are responsible for performing the audit in accordance with International Standards on Auditing (UK), and the National Audit Office Code of Audit Practice and associated Auditor Guidance Notes.

Our audit is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of the Audit and Governance Committee. Under the Code of Audit Practice, we are also required to consider the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources and to report any significant weaknesses we identify. 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 errors or other irregularities, or to include all possible improvements in internal control that a more extensive examination might identify.

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

Executive summary



Executive summary

This section summarises, for the benefit of Those Charged with Governance, the status of our audit of East Hertfordshire District Council for the year ending 31 March 2025 and the key findings and other matters arising from our audit.

Financial Statements

As at the date of writing we have completed almost all of our scoped audit work. Where our work is concluded we have set out the details of the work undertaken and our findings in the body of this report. Where audit work has been started but not yet concluded we have highlighted the work undertaken to date and the reasons why the work is not able to be concluded.

Our work in 2024/25 focused on three key objectives:

- Recovering the delays caused by the late conclusion of the audits for 2021/22, 2022/23 and the knock-on impact for 2023/24, including bringing our planning and financial statements risk assessment procedures fully up to date for 2024/25 following the finalisation of those earlier years
- Following up the Council progress in respect of the statutory recommendations raised in April 2025 and considering the impact on our value for money work. The outcome of this work was reported previously in our Auditor’s Annual Report in November 2025
- Undertaking procedures insofar as the remaining time allowed in respect of the 2024/25 accounts and commencing our build-back planning and risk assessment procedures. The 2021/22 and 2022/23 audits were only concluded in April 2025. We then focused our time on concluding the delayed 2023/24 audit and reported the outcome of that audit in September 2025. Our remaining time was spent on the 2024/25 audit and the outcome of this work is contained in this report. Due to the delays and recovery of the timetable – which has now been achieved – there has not been a significant volume of additional build-back activity in 2024/25. In line with our overarching build-back plan, this activity will be undertaken over the period 2025/26 to 2027/28.

From our work we have identified a number of disclosure amendments and reconciling issues, including where comparative figures differ from the prior year signed accounts. We have raised recommendations for management as a result of our work.

Management has agreed to amend the accounts for all adjustments identified during the audit. The Audit and Governance Committee is asked to confirm its agreement to management proposals not to amend the financial statements for the unadjusted misstatements.

Under International Standards on Auditing (UK) and the National Audit Office (NAO) Code of Audit Practice 2024, we are required to report whether, in our opinion:

- ▶ The financial statements give a true and fair view of the Council and Group’s financial position and income and expenditure for the period; and
- ▶ The Council and Group’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’) 2024/25 and the Local Audit and Accountability Act 2014.

We are also required to report on whether the other information included in the Statement of Accounts (including the Narrative Report and Annual Governance Statement) is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.



Executive summary

The quality of the accounts provided was satisfactory and they were provided on time in line with the statutory deadline. Due to the challenges of undertaking an audit where the previous three years have been subject to significant delays and subsequently disclaimed because of the local authority backstop, it has not been possible to regain full assurance and it is not possible for us to undertake sufficient work to support an unmodified audit opinion ahead of the backstop date of 27 February 2026. Undertaking work on balances that have not been subject to audit for several years necessarily means the audit on the current year balances takes longer than would ordinarily be the case. The limitations imposed from this lack of assurance on opening balances and closing balances in key areas means we are unable to form an opinion on the 2024/25 financial statements. We therefore intend to disclaim our opinion.

We are also unable to conclude that the other information included in the statement of accounts is consistent with our knowledge of the Council and Group and the financial statements we have audited. This is because we intend to disclaim our opinion.

It is important to note that build back is a comprehensive and time-consuming process which is compounded at a council such as East Herts where added complexity is present by virtue of the group accounts, complexity of the asset portfolio and the finance restructuring management is in the process of undertaking following the statutory recommendations raised in April 2025. Management has been engaged and supportive. Many of the matters reported in this report are unavoidable implications arising from a position wherein the Council's accounts have not been audited for several years.

Financial Statements

We have not altered our audit plan as formally presented to you on 30 September 2025.

Our audit approach has been based on gaining a thorough understanding of the Council and Group's control environment and has been risk based. This included:

- ▶ An evaluation of the Council and Group's internal control environment, including the IT systems and controls; and
- ▶ Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to our key audit risks.

At the completion of the audit, following the Audit and Governance Committee, we are required to undertake the following procedures:

- ▶ Final senior reviews and engagement lead 'stand back' review of the file
- ▶ Receipt and review of the management representation letter
- ▶ Receipt and review of the final, amended statement of accounts, narrative report and annual governance statement, appropriately signed and dated
- ▶ Response from management regarding subsequent events up to the date of the opinion
- ▶ Submission of our Whole of Government Accounts (WGA) return to the National Audit Office (NAO).



Executive summary

Value for money

We have completed our value for money work. Our detailed findings were reported in our Auditor's Annual Report in November 2025.

We have not identified any significant weaknesses in the Council's arrangements and so are satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Statutory duties

We have not exercised any of our additional statutory powers and duties.

Certificate

We will not be able to certify the closure of the audit until:

- ▶ we have completed all work we are requested to undertake as a component auditor for Whole of Government Accounts (WGA), and we receive confirmation from the National Audit Office that the Comptroller and Audit General has certified the WGA for 2024/25

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, under the NAO Code of Audit Practice.

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.

Financial statements



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
Quality and timeliness of draft financial statements	GREEN	The draft financial statements were provided on time and were complete. The Council published its accounts in line with statutory deadlines and advertised its inspection period appropriately. We did not encounter any significant issues related to the quality and timeliness of the accounts although we did identify a number of amendments which were required and a number of differences between comparators in the accounts and prior year financial statements.
Quality of working papers provided and adherence to timetable	AMBER	Planning work was originally scheduled for completion during the December-January 2024 period. However, we were unable to obtain the required information from the Council within that timeframe to complete our procedures, whilst the Council dealt with the open 2021/22 and 2022/23 audits. Consequently, planning activities had to be deferred and completed during the July-September 2025 period, in addition to final accounts fieldwork. Despite the revised timetable, not all requested listings needed to perform the planned audit work were received.
Timing and quality of key accounting judgements	GREEN	We did not encounter any significant issues relating to the timing or quality of key accounting judgements.
Access to finance team and other key personnel	AMBER	The Council is currently undergoing a finance team restructuring aimed at strengthening its ability to support the audit process and resolve the issues mentioned above.
Quality and timeliness of narrative report and annual governance statement	GREEN	The draft financial statements were received on 30 June 2025. From the work undertaken in the time available ahead of the statutory backstop, we did not identify significant issues related to the quality of the narrative report and annual governance statement.
Volume and magnitude of identified errors	AMBER	From the work we have been able to undertake, we identified disclosure amendments required in the financial statements which are detailed later in this report. Management has agreed to amend the accounts in respect of these matters where appropriate. 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 assurance, and the imminent statutory backstop date of 27 February 2026 for the 2024/25 audit, we intend to disclaim the audit in our audit report.



Audit Timeline

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



Planning	Interim	Period end: 31 st March	Final accounts	Audit and Governance Committee	Completion	Sign off
<ul style="list-style-type: none"> ▶ Identify changes in your business environment ▶ Determine materiality ▶ Scope the audit ▶ Risk assessment ▶ Planning meetings with management ▶ Planning requirements checklist to management ▶ Issue audit plan 	<ul style="list-style-type: none"> ▶ Document control design and effectiveness ▶ Discuss audit plan with Audit and Governance Committee ▶ Early testing 		<ul style="list-style-type: none"> ▶ Regular updates with management ▶ Undertake audit testing ▶ Review of narrative report and annual governance statement ▶ Conclude on significant risk areas ▶ Report observations on other risk areas, management judgements ▶ Draft Audit Completion Report ▶ Close-out meeting with management 	<ul style="list-style-type: none"> ▶ Discuss audit findings with Audit and Governance Committee ▶ Issue draft Audit Findings (ISA260) report ▶ Issue Auditor's Annual Report (by 30 November) 	<ul style="list-style-type: none"> ▶ Subsequent events procedures ▶ Management representation letter ▶ Sign financial statements 	<ul style="list-style-type: none"> ▶ Sign audit report opinion ▶ Issue delayed audit certificate

Materiality

We are obliged to report uncorrected omissions or misstatements other than those which are ‘clearly trivial’. The assessment of what is material is a matter of professional judgement and is affected by our risk assessment and the needs of users of the financial statements.

At the planning stage of the audit, we determined overall materiality as £1,607k for the Group and £1,518k for the Council, with performance materiality set at £964k for the Group and £910k for the Council. These assessments were based on the draft 31 March 2025 accounts; therefore, no changes to materiality were required from those outlined in the audit plan

	Group £000	Council £000	Explanation
Overall materiality for the financial statements	1,607	1,518	This is approximately 2% of gross revenue expenditure based on the 2024/25 draft financial statements. This is a common measure for calculating materiality for councils as the users of the financial statements are considered to be most interested in where the Council has expended its income during the year.
Performance materiality	964	910	Performance materiality has been set at 60% of overall materiality. This is based on the internal control environment of the Council and reflects our risk assessed knowledge of the potential for errors occurring. It is intended to reduce, to an acceptably low level, the probability that cumulative undetected and uncorrected misstatements exceed materiality for the financial statements as a whole.
Trivial threshold	80	75	This is set at 5% of the overall materiality calculation. Individual errors above this threshold are communicated to those charged with governance.

Clearly trivial: matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria;
Material: an omission or misstatement that would reasonably influence the users of the financial statements.

Group audit

As group auditors under ISA (UK) 600, we are required to obtain sufficient appropriate audit evidence regarding the financial information of the components and regarding the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

For periods commencing on/after 15 December 2023 the auditing standard for group engagements (ISA (UK) 600) has been revised. The key changes that you may see reflected in the audit findings have been outlined below:

- ▶ Revisions to the definitions of a group and component extend the scope of the ISA to encompass a wider range of group scenarios. This means that a single legal entity could fall under the scope of the revised ISA600 based on its internal structure, while multiple legal entities may sometimes be defined as a single component
- ▶ There are increased leadership responsibilities and involvement requirements for the group engagement leader, particularly when component auditors are utilised
- ▶ In the UK, there is a specific requirement for all component auditors to confirm their ability and willingness to comply with the FRC's Ethical Standard, regardless of their local jurisdiction
- ▶ The analytical/desktop review designation, which triggered the lowest requirement for procedures deployed, has been removed from the scope of procedures performed over a component in response to risk

Risks at the component level

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

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

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

Group audit

Component	Scope	Planned audit approach	Audit findings
East Hertfordshire District Council	Full scope	Full scope statutory audit performed as set out in this report, amended due to impact of disclaimer	Our audit findings have been documented later in this report.
Millstream Property Investments Ltd	Specific scope	Specific scope procedures performed by group engagement team.	We have considered whether the time constraints imposed by the backstop date 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). Along with other factors explained in this report, we plan to disclaim the opinion for 2024/25.

Full scope Design and perform further audit procedures on the entire financial information of the component;
Specific scope Design and perform further audit procedures on one or more classes of transactions, account balances or disclosures;
None No further audit procedures required



Key audit findings



Key audit findings: significant risks

This section includes a summary of audit findings relating to significant risk areas identified at planning and other risk areas that required special consideration or arose during the audit.

Significant risks are defined as risks that require special audit consideration and include risks of material misstatement that are close to the upper range of inherent risk due to their nature and a combination of the likelihood and potential magnitude of misstatement or are required to be treated as significant risks due to requirements of auditing standards.

The table below summarises the significant risks. Detail behind each risk and the work undertaken is set out on the subsequent pages.

Significant risk	Financial Statement / Assertion Level Risk	Fraud risk?	Approach to controls	Level of judgement / estimation uncertainty	Outcome of work
Management override of controls	Financial Statement Level	Yes	Assess design & implementation	Very high	We undertook our planned procedures in this area but were unable to conclude them due to delays in receiving the listings required to perform the work. Along with other factors explained in this report, we plan to disclaim the opinion for 2024/25.
Prior year opinion on the financial statements (Council and group)	Financial Statement Level	No	Assess design & implementation	Very high	We have implemented an overarching build-back plan for the period 2024/25 to 2027/28. Current year findings are reported in this report. In line with our build back plan, we intend to disclaim the opinion for 2024/25.

Key audit findings: significant risks

Significant risk	Financial Statement / Assertion Level Risk	Fraud risk?	Approach to controls	Level of judgement / estimation uncertainty	Outcome of work
Presumption of fraud in revenue and expenditure recognition	Assertion Level	Rebutted	Assess design & implementation	Low	We rebutted the risk of fraud in revenue and expenditure recognition at the planning stage. Standard procedures were required in respect of these balances which will be progressed in line with our overarching build-back plan in the coming year. In line with our build back plan, we intend to disclaim the opinion for 2024/25.
Valuation of land and buildings and investment property.	Assertion Level	No	Assess design & implementation	High	Due to the delays experienced we were unable to conclude our procedures in this area. Along with other factors explained in this report, we plan to disclaim the opinion for 2024/25.
Valuation of pension assets and liabilities (IAS19)	Assertion Level	No	Assess design & implementation	High	We have commenced our procedures and they are currently being finalised in line with our build back plan. We are unable to reach a conclusion in this area. Along with other factors explained in this report, we plan to disclaim the opinion for 2024/25.
Incorrect capitalisation of revenue expenditure	Assertion Level	No	Assess design & implementation	High	In line with our build back plan, substantive testing of material income and expenditure streams is planned in future years as part of build-back and, in 2024/25, this time was re-focused to support additional work undertaken on journals, ledger reconciliations and value for money.



Key audit findings: significant risks

Significant risks at the financial statement level

The table below summarises our conclusions on significant risks of material misstatement at the financial statement level for the 2024/25 accounts. These risks are considered to have a pervasive impact on the financial statements as a whole and potentially affect many assertions for classes of transaction, account balances and disclosures.

Management override of controls

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

Key audit findings: significant risks

Management override of controls ...continued

Audit findings and conclusion

It should be noted that, given the Council's accounts have not been subject to audit for several years, it is not unexpected that more time is required than in a 'normal' audit when recovering disclaimed positions. Additional time was therefore focused on this area in line with our build-back plan.

Planning work was originally scheduled for completion during the December-January 2024 period. However, we were unable to obtain the required information from the Council within that timeframe. As a result, planning activities were deferred and subsequently completed during the July-September 2025 period, alongside the final accounts fieldwork.

We have documented the business processes and key controls in place and tested the design and implementation of the procedures. We completed a walkthrough to understand how management mitigates the risk of management override of controls. We completed the ingest process but were not able to conclude our substantive journals testing. This is because the general ledger information required for both the ingest process and for reconciling the journals listing to the TB, GL and the accounts information was only received later in the audit process, leaving insufficient time to select a sample and conclude the planned procedures.

We have raised a control recommendation relating to journal authorisation later in this report.

We cannot draw finalised conclusions from this work as not all of the planned areas of testing for this significant risk have been completed. For instance, we have been unable to reach a conclusion on all accounting estimates used by management in the financial statements, including property valuations, and therefore cannot conclude as to whether any management bias in significant account estimates exists, notwithstanding that our understanding of management's judgements and estimates applied to the financial statements does not indicate this may be the case. This is due to the time constraints to perform sufficient procedures on these accounting estimates. The key judgements in the financial statements for 2024/25 are documented later in this report.

Based on the above, we are unable to reach a conclusion on this area. Along with the other factors explained in the report, we therefore plan to issue a disclaimer of opinion for the financial year 2024/25.

Key audit findings: significant risks

Prior year opinion on the financial statements

Significant risks	Audit approach
<p>Prior year opinion on the financial statements (Council and group)</p> <p>As a result of the backstop implemented on 28 February 2025, a disclaimer audit opinion was provided on the council 2023/24 financial statements. Disclaimed audit opinions have also been provided on the Council’s accounts for the 2021/22 and 2022/23 years.</p> <p>As a result of prior year disclaimed audit opinion:</p> <ul style="list-style-type: none">• There is limited assurance available over the Council’s opening balances, including those balances which involve higher levels of management judgement and more complex estimation techniques (e.g. defined benefit pension valuations, land and building, council dwelling and investment property valuations, amongst others); and• Significant transactions, accounting treatment and management judgements may not have been subject to audits for one or more years – or at all. This may include management judgements and accounting treatment in respect of significant or complex schemes or transactions which came into effect during the qualified or disclaimed periods. <p>The absence of prior year assurance raises a significant risk of material misstatement at the financial statement level that may require additional audit procedures.</p> <p>Inherent risk of material misstatement: Very High</p>	<p>Procedures to mitigate risks of material misstatement in this area included:</p> <ul style="list-style-type: none">• Considering the findings and outcomes of prior year audits and their impact on the 2024/25 audit;• Considering the impact on our audit of qualified or disclaimed audit opinions, particularly regarding opening balances and ‘unaudited’ transactions and management judgements made in the previous years which continue into 2024/25; and• Considering the impact of any changes in Code requirements for financial reporting in previous and current audit years.

Key audit findings: significant risks

Prior year opinion on the financial statements ...continued

Audit findings and conclusion

In our audit plan we communicated the high-level end-to-end indicative build-back plan. This envisages gaining assurance over the accounts from the period from 2024/25 to 2027/28. Our audit approach and procedures deployed in 2024/25 are in line with this approach. Our approach also includes the statutory guidance issued by the National Audit Office (NAO) in Local Audit Reset and Recovery Implementation Guidance (LARRIG) 01 to 06.

Our procedures in 2024/25 fell into two categories:

- **Procedures on the 2024/25 accounts with a view to gaining assurance over the year end position and identifying improvement suggestions for recovery work in future years.** Given the Council's accounts have not been subject to audit for several years, it is not unexpected that more time is needed than in a 'normal' audit when recovering disclaimed positions. This was compounded by the fact the audits for 2021/22 and 2022/23 were not concluded until April 2025. This had a knock-on impact for the conclusion of the audit for 2023/24, which was concluded in September 2025. Additional time was therefore focused on recovering the position in line with our build back plan to regularise the Council's reporting timelines. Our work in 2024/25 was focused on updating and finalising our planning and risk assessment procedures to bring the Council position up to date, considering progress in response to the statutory and non-statutory recommendations raised as part of our value for money work and recovery of year end balance sheet positions, journals, fraud testing and in-year reserves movements and analysis.
- **Build-back procedures to gain assurance over disclaimed periods of account.** This work involves additional planning, in line with the statutory considerations set out in LARRIG06, additional risk assessment and additional substantive procedures over the disclaimed years. The substantive procedures also include substantive testing of Property, Plant and Equipment movements in disclaimed years and in future years will require substantive testing of income and expenditure transactions. Due to the delays from prior years and the limited time available before the statutory backstop date, much of this work will take place from 2025/26. We have, however, commenced our procedures for the quantitative reserves analysis going back to the last clean opinion.

Build-back risk assessment procedures

Our build-back risk assessment procedures comprise two significant streams: the qualitative risk assessment and the quantitative risk assessment. The qualitative work, guided by LARRIG 06, focuses on assessing the inherent risk of material misstatement in opening General Fund (GF) balances and associated earmarked reserves following prior-year disclaimers. This involves evaluating governance arrangements, the control environment, timeliness of accounts preparation, complexity of reserves, and risks arising from multiple disclaimed opinions. We will consider factors such as changes in personnel, financial systems, budgetary controls, and classification risks between capital and revenue transactions. Our planned response will include enhanced inquiry, review of Annual Governance Statements, analytical procedures, and targeted substantive testing to evaluate these risks. This work is due to take place from 2025/26.



Key audit findings: significant risks

Prior year opinion on the financial statements continued....

Audit findings and conclusion

The quantitative work relates to reconciling and validating movements within the Movement in Reserves Statement (MIRS) back to the last clean opinion (2020/21). This includes detailed testing of reserve movements, statutory adjustments and consistency checks across primary statements and supporting notes to evaluate accuracy and completeness of reported balances.

In line with our build back plan we will undertake procedures in respect to both the qualitative and quantitative risk assessment streams from 2025/26. However, we have already commenced our reserves analysis work back to the last clean opinion. We have not yet been able to conclude our procedures due to the impending backstop but will continue this work as part of 2025/26. It is important to note that build back is a comprehensive and time-consuming process.

Build-back risk assessment: Qualitative stream

We will reconcile the financial statements to the general ledger and trial balance for the current year and each previously disclaimed year back to the last clean opinion dated 31 March 2021. We have not been able to perform these procedures due to the impending backstop and will continue this work as part of the 2025/26 audit.

Build-back risk assessment: Quantitative stream

We have undertaken procedures under this stream, which includes reconciling and validating movements within the Movement in Reserves Statement (MIRS) back to the last clean opinion. This work remains ongoing. During our review, we identified changes to the comparative figures within the MIRS; for example, the Other Comprehensive Income (OCI) balance has been amended from £18,576k to £17,603k, and total unusable reserves have changed from £16,440k to £21,033k. These adjustments indicate that the underlying reserve movements will need further audit investigation and further analysis will be required to understand the basis for these revisions and to assess their implications for the build-back process. Recovering the disclaimed position is a long-term and complex process, involving substantial volumes of audit work and significant time from management to facilitate such work.

Due to audit opinions on the prior years' financial statements being disclaimed, we have no assurance over the opening balances of the reserves and the balance sheet financial statement line items. This means we have no assurance on the movements in year and cannot gain sufficient audit evidence on the material accuracy of the financial statements at 31 March 2025.

Key audit findings: significant risks

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

The following tables summarise conclusions in relation to significant risks of material misstatement at the assertion level for classes of transaction, account balances and disclosures in the 2024/25 accounts.

Key audit findings: significant risks

Fraud in revenue recognition and expenditure

Significant risk	Audit approach	Audit findings and conclusion
<p>Fraud in revenue recognition and expenditure (Council and group) Material misstatement due to fraudulent financial reporting relating to revenue recognition is a rebuttable presumed risk in ISA (UK) 240. Having considered the nature of the revenue streams at the Council, we consider that the risk of fraud in revenue recognition can be rebutted on all income streams because:</p> <ul style="list-style-type: none"> • there is little opportunity available to manipulate revenue recognition; • there is limited incentive to manipulate revenue recognition • the Council’s existing income transactions do not provide a significant opportunity to manipulate income between years in any meaningful way or to adopt aggressive recognition policies <p>We have also considered Practice Note 10, which comments that for certain public bodies, the risk of manipulating expenditure could exceed the risk of the manipulation of revenue. We have therefore also considered the risk of fraud in expenditure at the Council, and we are satisfied that this is not a significant risk for the reasons set out below:</p> <ul style="list-style-type: none"> • significant amount of expenditure is in relation to pay, and • non-pay expenditure reflected in the Council’s financial statements exhibits a straightforward nature, characterised by reduced subjectivity, and there is little incentive to management to manipulate expenditure. <p>Inherent risk of material misstatement: (Existence and Occurrence): Low</p>	<p>As we had rebutted the presumption of risk in both expenditure and income recognition, standard procedures to mitigate risks of material misstatement in this area included:</p> <ul style="list-style-type: none"> • Documenting our understanding of the Council’s systems for income and expenditure to identify significant classes of transactions, account balances, and disclosures with a risk of material misstatement in the financial statements. • Evaluating the Council’s accounting policies for recognition of income and expenditure and compliance with the CIPFA Code. • Substantively testing material income and expenditure streams using analytical procedures and sample testing of transactions recognised for the year 	<p>We have undertaken procedures to document our understanding of the Council’s systems for income and expenditure to identify significant classes of transactions, account balances and disclosures with a risk of material misstatement in the financial statements. We agreed debtors and creditors to the general ledger and supporting working papers.</p> <p>In line with our build back plan we have not evaluated the Council’s accounting policies for recognition of income and expenditure and compliance with the CIPFA Code. Substantive testing of material income and expenditure streams is planned in future years as part of the build-back plan and, in 2024/25, we focused our time on completing planned procedures on journals, ledger reconciliations, the testing of current assets and current liabilities and the follow up work on statutory recommendations as part of our value for money work.</p> <p>We have considered whether the time constraints imposed by the backstop date 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). Along with other factors explained in this report, we plan to disclaim the opinion for 2024/25.</p>



Key audit findings: significant risks

Valuation of land and buildings and Investment property

Significant risks	Audit approach	Audit findings and conclusion
<p>Valuation of land and buildings Investment property (key accounting estimate) (Council and group)</p> <p>The Council carries out a rolling programme of revaluations to ensure all property, plant and equipment required to be measured at fair value is revalued at each 1 April</p> <p>Management engaged the services of a qualified valuer, who is a Regulated Member of the Royal Institute of Chartered Surveyors (RICS), to undertake these valuations as of 31 March 2025. The valuations involve a wide range of assumptions and source data and are therefore sensitive to changes in market conditions. ISAs (UK) 500 and 540 require us to undertake audit procedures on the use of external expert valuers and the methods, assumptions and source data underlying the fair value estimates.</p> <p>These valuations represent a key accounting estimate made by management within the financial statements due to the size of the values involved, the subjectivity of the measurements and the sensitive nature of the estimate to changes in key assumptions. We have therefore identified the valuation of other land and buildings as a significant risk.</p> <p>We further pinpointed this risk to specific assets, or asset types, on receipt of the draft financial statements and the year-end updated asset valuations to those assets where the value was individually significant and where the in-year valuation movements fell outside of our expectations.</p> <p>Inherent risk of material misstatement: Land and Buildings& Investment Property (valuation): High</p>	<p>Procedures to mitigate risks of material misstatement in this area included:</p> <ul style="list-style-type: none"> • Evaluating management processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts, and the scope of their work; • Evaluating the competence, capabilities, and objectivity of management’s valuation expert; • Considering the basis on which the valuations are carried out and challenging the key assumptions applied; • Evaluating the reasonableness of the valuation movements for assets revalued during the year, with reference to market data. We will consider whether we require an auditor’s expert; • For unusual or unexpected valuation movements, testing the information used by the valuer to ensure it is complete and consistent with our understanding; • Ensuring revaluations made during the year have been input correctly to the fixed asset register and that the accounting treatment within the financial statements is correct; and • Evaluating the assumptions made by management for any assets not revalued during the year and how management are satisfied that these are not materially different to the current value. 	<p>As part of our procedures, we have evaluated management processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work, evaluated the competence, capabilities, and objectivity of management’s valuation expert and undertaken a walkthrough of the design and implementation of management’s processes for determining the valuation accounting entries in the financial statements. We have reconciled the accounting entries to the general ledger and the fixed asset register.</p> <p>In line with our build back plan substantive testing of fixed asset valuations is planned in future years. In 2024/25, we focused our time on completing planned procedures on journals, ledger reconciliations, the testing of current assets and current liabilities and the follow up work on statutory recommendations as part of our value for money work.</p> <p>We have considered whether the time constraints imposed by the backstop date 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). Along with other factors explained in this report, we plan to disclaim the opinion for 2024/25.</p>



Key audit findings: significant risks

Valuation of pension assets and liabilities

Significant risks	Audit approach
<p>Valuation of pension assets and liabilities (IAS19) (key accounting estimate) (Council)</p> <p>An actuarial estimate of the net defined pension liability/asset is calculated on an annual basis under IAS 19 ‘Employee Benefits’, and on a triennial funding basis, by an independent firm of actuaries with specialist knowledge and experience. The triennial estimates are based on the most up to date membership data held by the pension fund and a roll forward approach is used in intervening years, as permitted by the CIPFA Code.</p> <p>The calculations involve a number of key assumptions, such as discount rates and inflation and local factors such as mortality rates and expected pay rises. The estimates are highly sensitive to changes in these assumptions. ISAs (UK) 500 and 540 require us to undertake audit procedures on the use of external experts (the actuary) and the methods, assumptions and source data underlying the estimates.</p> <p>This represents a key accounting estimate made by management within the financial statements due to the size of the values involved, the subjectivity of the measurement and the sensitive nature of the estimate to changes in key assumptions. We have therefore identified the valuation of the net pension liability/asset as a significant risk.</p> <p>Inherent risk of material misstatement: –Pension assets and liabilities (valuation): High</p>	<p>Procedures to mitigate risks of material misstatement in this area included:</p> <ul style="list-style-type: none"> • Evaluating managements processes for the calculation of the estimate, the instructions issued to management’s expert (the actuary) and the scope of their work; • Evaluating the competence, capabilities and objectivity of the actuary; • Assessing the controls in place to ensure that the data provided to the actuary by the Council and their pension fund was accurate and complete; • Evaluating the methods, assumptions and source data used by the actuary in their valuations, with the support of an auditors’ expert; • Evaluating whether any asset ceiling was appropriately considered (if applicable) when determining the value of any pension asset included in the financial statements; • Assessing the impact of any significant differences between the estimated gross asset valuations included in the financial statements and the Council’s share of the investment valuations in the audited pension fund accounts’; and • Ensuring pension valuation movements for the year and related disclosures have been correctly reflected in the financial statements

Key audit findings: significant risks

Valuation of pension assets and liabilities continued....

Audit findings and conclusion

We have commenced the planned procedures over this item of account in line with our overarching build-back plan. Further detailed work will take place in 2025/26, as previously communicated, following the next triennial valuation. We have evaluated management processes and assumptions for the calculation of the estimate, the instructions issued to the actuary and the scope of their work, evaluated the competence, capabilities, and objectivity of management's valuation expert and undertaken a walkthrough of the design and implementation of management's processes for determining the pension accounting entries in the financial statements.

We have been unable to obtain assurance over the year-on-year movements, interest costs, interest on assets, actual return on assets, share of assets and service costs. This is because the prior year balances were disclaimed, meaning we have no assurance over the opening balances. These areas are directly influenced by those opening balances, and without assurance over them, we cannot conclude on the accuracy of the current year movements.

In addition, we have not been provided with assurance by the pension fund auditor over membership of the pension fund back to the last triennial valuation.

We wrote to the current pension fund auditor on 17 July 2025 requesting assurance over the membership data. No response was received until 19 January 2026. In this letter the pension fund auditor stated that the audit of the pension fund accounts was not yet complete and no opinion had been issued. However, they stated that in respect of the assurances we required of them, they had undertaken their procedures and no exceptions were noted that they needed to report to us. However, this assurance is for the current year only and does not include assurance dating back to the previous triennial valuation.

Due to audit opinions on the prior years' financial statements being disclaimed, we have no assurance over the opening balances of the pension liability. This means we have no assurance on the movements in year and cannot gain sufficient audit evidence on the material accuracy of the valuation of the pension fund liability as at 31 March 2025. Therefore, we are unable to reach a conclusion on this area. Along with the other factors explained in the report, we therefore plan to disclaim the audit for the financial year 2024/25. More detailed findings on our consideration of this estimate are contained later in this report.

Key audit findings: significant risks

Incorrect capitalisation of revenue expenditure

Significant risks	Audit approach	Audit findings and conclusion
<p>Incorrect capitalisation of revenue expenditure</p> <p>We have assessed that the risk of misreporting revenue outturn in the financial statements is most likely to be achieved through:</p> <ul style="list-style-type: none"> • Revenue expenditure being inappropriately recognised as capital expenditure at the point it is posted to the general ledger; • Expenditure being inappropriately transferred by journal from revenue to capital codes on the general ledger at the end of the year. <p>If this were to happen it would have the impact of understating revenue expenditure and overstating property, plant and equipment additions in the financial statements. In 2024/25, the Council has capitalised £6.8m of capital expenditure.</p> <p>Inherent risk of material misstatement (classification, valuation): High</p>	<p>Procedures to mitigate risks of material misstatement in this area included:</p> <ul style="list-style-type: none"> • Obtaining a general ledger breakdown of capital additions in the year, reconciling this to the Fixed Assets Register and reviewing the general ledger descriptions to identify whether there are any potential transactional items that could be revenue in nature; • Sample testing additions to property, plant and equipment to ensure they have been correctly classified as capital and included at the correct value in order to identify any revenue items that have been inappropriately capitalised. We review the sample selected against the definition of capital expenditure in IAS 16; • As part of our journals testing strategy, reviewing unusual journals transferring expenditure from revenue to capital codes on the general ledger at the end of the year 	<p>In line with our build back plan substantive testing of capital expenditure is planned in future years. In 2024/25, we focused our time on completing planned procedures on journals, ledger reconciliations, the testing of current assets and current liabilities and the follow up work on statutory recommendations as part of our value for money work.</p> <p>We have considered whether the time constraints imposed by the backstop date 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). Along with other factors explained in this report, we plan to disclaim the opinion for 2024/25.</p>

Key audit findings: other risks

Other risks

This section summarises conclusions in relation to other identified risks which, although not considered to be significant, required specific consideration during the audit, or were risks otherwise identified during the course of the audit

Other risks	Audit approach	Audit findings and conclusion
<p>Implementation of IFRS 16 – key accounting estimate – (Council and group)</p> <p>As IFRS 16 was adopted and implemented by local government bodies under the Code of Audit Practice from 1 April 2024. Under IFRS 16 a lessee is required to recognise a right of use asset and associated lease liability in its Balance Sheet. This will result in significant changes to the accounting for leased assets and the associated disclosures within the financial statements for the year ended 31 March 2025.</p> <p>As of 31 March 2024, the Council does not have any material operating leases. At the time of issue of the audit plan we were waiting for the Council’s confirmation of the impact for 2024/25.</p> <p>.</p>	<p>Procedures to mitigate risks of material misstatement in this area included:</p> <ul style="list-style-type: none"> • Assessing the appropriateness of the Council’s approach to identification of leases captured within the scope of IFRS 16, with a particular focus on ensuring completeness of leases; • Performing a walkthrough of the Council’s systems and processes to capture the data required to account for right of use (RoU) lease assets and associated liability in accordance with IFRS 16; • Reviewing the Council’s accounting policies for the year ended 31 March 2025 to reflect the requirements of the new accounting standard; • Assessing the existence, valuation, accuracy and completeness of the right of use assets and associates lease liabilities, and the related disclosures within the financial statements; • Evaluating whether Right of Use assets and lease liabilities have been appropriately remeasured in line with the requirements of IFRS 16 as set out in the CIPFA Code. 	<p>In line with our build back plan substantive review of this area is planned to take place in future years. In 2024/25, we focused our time on completing planned procedures on journals, ledger reconciliations, the testing of current assets and current liabilities and the follow up work on statutory recommendations as part of our value for money work.</p> <p>We have considered whether the time constraints imposed by the backstop date 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). Along with other factors explained in this report, we plan to disclaim the opinion for 2024/25.</p>

Key audit findings: other risks

Other risks

Other risks	Audit approach	Audit findings and conclusion
<p>Minimum revenue provision (MRP) – (Council)</p> <p>Linked to the risk of ‘misstatements due to fraud and error’, we consider specific areas where management makes significant judgements that impact charges to the General Fund balance. Local authorities are required to charge a ‘Minimum Revenue Provision’ (MRP) to the General Fund in each financial year related to borrowing. The calculation of this charge is based on the Capital Financing Requirement. Local authorities have flexibility in how they calculate MRP but need to ensure the calculation is prudent. In calculating a prudent provision, local authorities are required to have regard to statutory guidance. There is a risk that the Council may not been appropriately prudent in its calculation of MRP and/or not followed the relevant statutory guidance.</p>	<p>Procedures to mitigate risks of material misstatement in this area included:</p> <ul style="list-style-type: none"> • Gaining an understanding of the processes and controls put in place by management to calculate the Minimum Revenue Provision (MRP) • Assessing and reviewing the calculation of the Capital Financing Requirement to ensure it is appropriate and consistent with other notes in the financial statements • Reviewing the MRP Policy statement and confirming consistency with prior year or any changes thereof • Evaluating the appropriateness of the Council’s MRP policy • Evaluating whether the MRP has been appropriately calculated in accordance with the latest statutory guidance. 	<p>We have undertaken our procedures in this area. Firstly, we updated our understanding of East Hertfordshire District Council’s processes and controls for calculating the Minimum Revenue Provision (MRP), including how statutory guidance is applied. In addition, we assessed the reasonableness of any changes to the Council’s MRP policy from the prior year. We also assessed and benchmarked the Council’s MRP charge as a percentage of the opening capital financing requirement (CFR). A charge above 2% is generally considered a sufficiently prudent estimate. The Council’s MRP charge is only 1.2% of the opening CFR. This does not indicate that the 2024/25 MRP is incorrect; however, it does place the charge below the level typically considered prudent.</p> <p>We assessed and benchmarked the Council’s total debt as a percentage of the CFR; although a level below 100% is deemed prudent, the Council’s position of 106% indicates it is overextended on its borrowing with minimal financial headroom. These ratios highlight the financial pressure the Council is experiencing in 2024/25, but do not indicate non-compliance with the approved MRP policy.</p> <p>The Minimum Revenue Provision (MRP) policy for 2025/26 has been updated in consultation with the Council’s external advisors. The MRP charge is anticipated to double from its 2024/25 level. The revised MRP for 2025/26 is £1.431m, rising to £1.453m in 2026/27. When considered against the opening CFR for 2025/26, this would result in a ratio of 2.3% (above the prudential benchmark of 2%) and would reflect 2.2% of borrowing as at 31 March 2025 (remaining below the prudential benchmark of 3%). However, if borrowing is repaid and not refinanced, this would improve the position and would also reduce borrowing below the level of the CFR.</p> <p>As we do not have any assurance over the opening CFR, we do not have assurance over the closing CFR. We therefore cannot conclude in full on the accuracy of the MRP calculation. Based on the above, we are unable to reach a conclusion on this area. Along with the other factors explained in the report, we therefore plan to issue a disclaimer of opinion for the financial year 2024/25.</p>



Key audit findings: other balances and areas of testing

Testing area	Commentary	Conclusion
Cash and cash equivalents £21,294k	We have obtained an understanding of the processes and controls in place over cash and cash equivalents. With management's consent, we requested direct confirmations from the relevant financial institutions for the balances held in each bank account as at 31 March 2025. However, we did not receive any confirmations and, as a result, we have not been able to verify the year-end balances. We have also been unable to complete our remaining testing, as the necessary working papers required to perform these procedures were not provided.	We have started but not been able to conclude our work for the reasons set out to the left.
Debtors: £16,575k	Planned procedures over debtors included: <ul style="list-style-type: none"> • Agreeing the ledger breakdown to the TB and supporting notes for short-term debtors and payments in advance. • Selecting samples to verify the accuracy and existence of the balances as at year-end. However, the debtor listings provided were unsuitable for sampling, as they were not presented at a transactional level and showed only in-year movements rather than the year-end balances. As a result, we were unable to select items for testing or conclude our procedures over debtors within the time remaining before the statutory backstop. We have therefore raised a recommendation that future debtor listings must include transaction-level detail showing the full year-end balances, to enable appropriate sample selection and completion of our required audit procedures.	We have started but not been able to conclude our work for the reasons set out to the left.
Reserves	We have <ul style="list-style-type: none"> • Evaluated the completeness of the statutory adjustments included in the 2024/25 movement in reserves statement • Reconciled the internal consistency of reserves movements in year with other parts of the financial statements • Not been able to conclude the accuracy of the movements as the movements and the closing balance are directly influenced by the opening balance 	We have started but not been able to conclude our work for the reasons set out to the left.

Key audit findings: other balances and areas of testing

Testing area	Commentary	Conclusion
<p>Assets Held for sale : £12,294k</p>	<p>Planned procedures included:</p> <ul style="list-style-type: none"> • Agreeing the listing of assets held for sale to the trial balance (TB) and supporting notes in the financial statements. • Reviewing evidence to confirm that each asset met the IFRS 5 criteria for classification as held for sale. • Agreeing the carrying amount prior to reclassification to underlying asset records. • Testing the valuation of assets held for sale, including assessing whether they were measured at the lower of carrying amount and fair value less costs to sell. • Reviewing any valuation reports or supporting documentation provided by management. • Checking that no depreciation was charged after classification as held for sale. • Reviewing disclosures in the financial statements to ensure compliance with IFRS 5. <p>We were unable to complete our planned procedures as the required listings needed to perform the work were not provided. As a result, we were unable to select items for testing or conclude our procedures over this area within the time remaining before the statutory backstop.</p>	<p>We have started but not been able to conclude our work for the reasons set out to the left.</p>
<p>Short-term Investments : £2,942k</p>	<p>Planned procedures over short-term investments included:</p> <ul style="list-style-type: none"> • Agreeing the ledger breakdown to the TB and supporting notes for short-term investments. • Selecting samples to verify the accuracy and existence of the balances as at year-end. <p>The requested listings needed to perform the planned procedures over short-term investments were not received. We have identified a disclosure issue regarding the Balance Sheet, which shows £2,942k of short-term investments; however, the Financial Instruments note appears to show only £903k of FVOCI, without clearly disclosing the remaining £2,039k classified as amortised cost. Due to time constraints in meeting the backstop deadline, and in line with our agreement with management, we have backstopped our testing in this area for the current year.</p>	<p>We have started but not been able to conclude our work for the reasons set out to the left.</p>
<p>Provisions: £(2,106k)</p>	<p>Planned procedures over provisions included:</p> <ul style="list-style-type: none"> • Reconciling the provisions per the financial statements to underlying records and the general ledger. • Selecting a sample of provisions and testing them against the requirements of IAS 37. <p>We were unable to complete our planned procedures because the required transaction-level listings were not provided, preventing us from selecting any samples.</p>	<p>We have started but not been able to conclude our work for the reasons set out to the left.</p>



Key audit findings: other balances and areas of testing

Testing area	Commentary	Conclusion
Short-term creditors: £(17,592k)	<p>Planned procedures included:</p> <ul style="list-style-type: none"> • Agreeing the ledger breakdown to the trial balance (TB) and the supporting notes for short-term creditors and receipts in advance. • Selecting a sample of transactions to verify the accuracy and existence of the balances as at year-end. • Performing testing on all creditor balances and on accruals, except collection fund creditors, as we had not planned to perform any procedures on the collection fund. <p>However, the creditor listings provided were not suitable for sampling, as they were not presented at a transactional level and showed only in-year movements rather than the required year-end balances. As a result, we were unable to select items for testing or complete our procedures over creditors within the time remaining before the statutory backstop. We have therefore recommended that future creditor listings include full transaction-level detail showing the complete year-end balances, to enable appropriate sample selection and completion of the required audit procedures</p>	We have started but not been able to conclude our work for the reasons set out to the left.
Short-term borrowings : £(63,000k)	<p>Planned procedures included:</p> <ul style="list-style-type: none"> • Agreeing the ledger breakdown to the trial balance (TB) and the supporting notes for both short- and long-term borrowings • Testing all borrowings as at year-end to verify the accuracy and existence of the balances. • Obtaining direct confirmations from third parties where applicable and agreeing borrowing balances to the underlying contracts. • Verifying the classification of borrowings between short-term and long-term. <p>We were unable to complete our planned procedures as the required listings needed to perform the work were not provided. We also identified a disclosure issue relating to borrowings. The total short-term borrowings disclosed on the balance sheet amount to £63m; however, this does not agree with the figures presented in the financial instruments note. The note incorrectly shows short-term borrowings of £13m. In addition, long-term borrowings in the financial instruments note are £51.5m compared to £1.5m per the balance sheet. Accordingly, adjustments are required so that balance sheet and note are consistent.</p>	We have started but not been able to conclude our work for the reasons set out to the left.
Group accounts	<p>We have:</p> <ul style="list-style-type: none"> • Obtained and reviewed management’s consolidation working papers. • Assessed the group position and evaluated the materiality of specific transactions <p>We have not undertaken specific testing on component transactions due to the time constraints imposed by the backstop</p>	We have started but not been able to conclude our work for the reasons set out to the left.



Key audit findings: other procedures

Other specific procedures we have undertaken in 2024/25 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, Cabinet and the Audit and Governance Committee;
- ▶ IT General controls and work under ISA315;
- ▶ Business process documentation and walkthroughs;
- ▶ Agreeing opening balances and comparative figures to prior year financial statements;
- ▶ Agreeing the financial statements to the Council's trial balance and general ledger;
- ▶ Checking financial statements for internal consistency and arithmetic accuracy;
- ▶ Confirming the audit fee reported in the financial statements;
- ▶ Undertaking a high-level review of the accounts to assess for material omissions or disclosure errors;
- ▶ Undertaking a high-level Audit Manager and Engagement Lead review of the 2024/25 financial statements to further refine our risk assessment and understand unexpected movements;
- ▶ Confirming that accounts have been issued and approved in line with The Accounts and Audit Regulations 2015;
- ▶ Procedures in respect of subsequent events after the balance sheet date, including enquiries of management;
- ▶ Updating our planning and risk assessment and procedures on receipt of the financial statements (post-statement procedures) including re-considering our materiality thresholds;
- ▶ Updating our scoping procedures following receipt of the financial statements;
- ▶ Undertaking comprehensive build-back scoping across all disclaimed years;
- ▶ Undertaking post-statement analytical procedures;
- ▶ Evaluating any misstatements identified; and
- ▶ Drafting an Audit Plan and Audit Completion Report and presenting these to the Audit and Governance Committee.

Key audit findings: other areas of focus

Area of focus	Issue	Audit findings and conclusion
Significant matters on which there was disagreement with management	There were no significant matters on which there was disagreement with management	None noted
Significant management judgements which required additional audit work and / or where there was disagreement over the judgement and / or where the judgement is significant enough that we are required to report it to those charged with governance before they consider their approval of the accounts	No concerns were identified	None noted
Prior year adjustments identified	As part of our work, we identified several instances where the 2024/25 comparators have been amended from the figures in the signed 2023/24 accounts. We are discussing these changes with management. For example, Other Comprehensive Income has changed from £18,576k in 2023/24 to £17,603k in the 2024/25 comparator and Total Unusable Reserves have changed from £16,440k in 2023/24 to £21,033k in the 2024/25 comparators. Further differences are contained in the report	Where prior period adjustments are made, the comparator column should be headed up restated, and a note added to the accounts explaining the change.
Concerns identified in the following: <ul style="list-style-type: none"> • 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 system position / target 	No concerns were identified	None noted

Accounting policies, key judgements and estimates



Accounting policies, key judgements and estimates

Accounting policies

We have evaluated the appropriateness of the Council’s accounting policies, taking into account consistency with the disclosures from the prior year and requirements as set out in the CIPFA LASAAC Code of Practice on Local Authority Accounting in the UK (the ‘CIPFA Code’) 2024/25 where appropriate. We have no matters to report.

Key judgements and estimates

Key judgements and estimates, as well as other judgements and estimates made by management, are set out in the table below along with audit commentary on these judgements and estimates in line with the enhanced requirements for auditors.

Significant judgement or estimate	Value in accounts £000	Summary of management’s approach	Audit comments and assessment
Land and buildings valuations (key accounting estimate)	110,754	The valuation of land and buildings begins with determining whether assets are specialised or non-specialised, as this drives the appropriate valuation method. Valuations follow the CIPFA Code and RICS professional standards and are carried out by the Council’s internal RICS-qualified valuers. Land and buildings are measured at current value: non-specialised assets use market-based evidence where available, while specialised assets are valued using Depreciated Replacement Cost (DRC) applying the Modern Equivalent Asset (MEA) approach. Revaluations are performed annually, supported by yearly impairment reviews, with all valuations undertaken at 31 March.	As part of our procedures, we documented our understanding of the processes and systems the Council has in place for accounting for the estimate. This included how the valuation is determined, the instructions issued to the valuation experts and the scope of their work. We also evaluated the competence, capabilities and objectivity of management’s valuation expert. In line with our build back plan the additional procedures specifically designed to address this significant risk will take place in 2025/26. Along with the other factors explained in this report, we therefore plan to issue a disclaimer of opinion for the financial year 2024/25.

Accounting policies, key judgements and estimates

Significant judgement or estimate	Value in accounts £000	Summary of management's approach	Audit comments and assessment
Investment properties (key accounting estimate)	4,292	Investment properties are measured at fair value in accordance with IAS 40 and the requirements of the CIPFA Code. All valuations are undertaken by the Council's internal MRICS-qualified valuers, applying RICS Valuation Professional Standards. Fair value is determined using a market-based approach, drawing on current market conditions, comparable sales evidence, lease terms and rental yields, with all assets classified as Level 2 in the fair-value hierarchy. Investment properties are not depreciated; instead, gains and losses arising from annual revaluation as at 31 March each year are recognised in the Comprehensive Income and Expenditure Statement and subsequently reversed out through statutory adjustments.	<p>As part of our procedures, we documented our understanding of the processes and systems the Council has in place for accounting for the estimate. This included how the valuation is determined, the instructions issued to the valuation experts and the scope of their work. We also evaluated the competence, capabilities and objectivity of management's valuation expert.</p> <p>In line with our build back plan the additional procedures specifically designed to address this significant risk will take place in 2025/26.</p> <p>Along with the other factors explained in this report, we therefore plan to issue a disclaimer of opinion for the financial year 2024/25.</p>

Accounting policies, key judgements and estimates

Significant judgement or estimate	Value in accounts £000	Summary of management's approach	Audit comments and assessment																		
Pension assets and liabilities valuations (key accounting estimate)	(22,245)	<p>This relates to the Council's obligations as a participating employer in the Hertfordshire Pension Fund, part of the Local Government Pension Scheme (LGPS). The Council's IAS 19 figures are prepared by Hymans Robertson LLP, using the projected unit credit method, with liabilities discounted to present value and scheme assets measured at fair value. Triennial funding valuations are undertaken by the Fund every three years, with the next valuation having commenced on 1 April 2025. For 2024/25, key actuarial assumptions include a discount rate of 5.8%, pension (CPI) inflation of 2.9%, and salary growth of 3.9%. Given the magnitude of the estimate, small changes in assumptions can result in material movements in the reported liability.</p>	<p>We have undertaken the following in the course of our testing:</p> <ul style="list-style-type: none"> Assessed the competence, capability and independence of management's expert actuary Documented our understanding of the processes and systems the Council has in place for accounting for the estimate Used our auditor's expert (PwC) to assess assumptions made by the actuary <table border="1" data-bbox="1133 564 2280 913"> <thead> <tr> <th>Assumption</th> <th>Actuary value</th> <th>Assessment against PwC</th> </tr> </thead> <tbody> <tr> <td>Discount rate</td> <td>5.80%</td> <td>Reasonable</td> </tr> <tr> <td>Pension increase rate</td> <td>2.90%</td> <td>Reasonable</td> </tr> <tr> <td>Salary growth</td> <td>3.90%</td> <td>Reasonable</td> </tr> <tr> <td>Life expectancy: males currently 45-65</td> <td>21.2 years</td> <td>Reasonable</td> </tr> <tr> <td>Life expectancy: females currently 45-65</td> <td>24.1 years</td> <td>Reasonable</td> </tr> </tbody> </table> <p>We have not been provided with assurance by the pension fund auditor over membership of the pension fund back to the last triennial valuation. We wrote to the current pension fund auditor on 17 July 2025 requesting assurance over the membership data. No response was received until 19 January 2026. In this letter the pension fund auditor stated that the audit of the pension fund accounts was not yet complete, and no opinion had been issued. However, they stated that in respect of the assurances we required of them, they had undertaken their procedures, and no exceptions were noted that they needed to report to us. However, this assurance is for the current year only and does not include assurance dating back to the previous triennial valuation.</p> <p>Due to audit opinions on the prior years' financial statements being disclaimed, we have no assurance over the opening balances of the pension liability. This means we have no assurance on the movements in year and cannot conclude on the valuation of the pension fund liability as at 31 March 2025.</p>	Assumption	Actuary value	Assessment against PwC	Discount rate	5.80%	Reasonable	Pension increase rate	2.90%	Reasonable	Salary growth	3.90%	Reasonable	Life expectancy: males currently 45-65	21.2 years	Reasonable	Life expectancy: females currently 45-65	24.1 years	Reasonable
Assumption	Actuary value	Assessment against PwC																			
Discount rate	5.80%	Reasonable																			
Pension increase rate	2.90%	Reasonable																			
Salary growth	3.90%	Reasonable																			
Life expectancy: males currently 45-65	21.2 years	Reasonable																			
Life expectancy: females currently 45-65	24.1 years	Reasonable																			

Accounting policies, key judgements and estimates

Significant judgement or estimate	Value in accounts £000	Summary of management's approach	Audit comments and assessment
Minimum revenue provision	751	<p>The Council sets an annual Minimum Revenue Provision (MRP) to ensure a prudent charge for the repayment of borrowing, in line with statutory regulations and government guidance.</p> <p>The 2024/25 MRP charge was £751k, an increase from £600k in 2023/24. Following consultation, updated MHCLG guidance-effective from April 2025-clarifies existing expectations rather than changing policy. The guidance confirms that capital receipts cannot replace a prudent MRP, that MRP must be applied to all unfinanced capital expenditure, and that assets may only be excluded where statute permits.</p> <p>The MRP is a statutory, non-cash adjustment, reversed through the Movement in Reserves Statement and reflected within capital financing entries in the Capital Adjustment Account.</p>	<p>We have undertaken our procedures in this area. Firstly, we updated our understanding of East Hertfordshire District Council's processes and controls for calculating the Minimum Revenue Provision (MRP), including how statutory guidance is applied. In addition, we assessed the reasonableness of any changes to the Council's MRP policy from the prior year. We also assessed and benchmarked the Council's MRP charge as a percentage of the opening capital financing requirement (CFR). While a charge above 2% is generally considered a sufficiently prudent estimate, the Council's MRP charge is 1.2% of the opening CFR. This does not indicate that the 2024/25 MRP is incorrect; however, it does place the charge at the lower end of what is typically considered prudent when benchmarked against sector practice.</p> <p>Furthermore, we assessed and benchmarked the Council's total debt as a percentage of the CFR; although a level below 100% is deemed prudent, the Council's position of 106% indicates it is overextended on its borrowing with minimal financial headroom. These ratios highlight the financial pressure the Council is experiencing in 2024/25, but they do not indicate non-compliance with the approved MRP policy.</p> <p>As we do not have any assurance over the opening CFR we therefore do not have assurance over the closing CFR. We therefore cannot conclude in full on the accuracy of the MRP calculation. The MRP charge must remain under regular review, particularly in light of future capital spending plans.</p>

Accounting policies, key judgements and estimates

Significant judgement or estimate	Value in accounts £000	Summary of management's approach	Audit comments and assessment
Depreciation	3,299	<p>Depreciation is charged annually to reflect the consumption of economic benefits of the Council's property, plant and equipment. The method and useful lives follow the requirements of the CIPFA Code and are applied consistently across asset classes. Depreciation is calculated on a straight-line basis, with useful lives ranging from 5 to 60 years depending on asset type, while freehold land and most community assets are not depreciated.</p> <p>Where assets contain significant components with different useful lives, componentisation is applied, ensuring each major element is depreciated appropriately. A £1m de-minimis threshold is used when identifying components.</p> <p>Depreciation is reviewed annually and adjusted where revaluations or impairment assessments indicate a material change in asset condition or useful life. The 2024/25 depreciation charge was £3.299m, recognised in the Comprehensive Income and Expenditure Statement and subsequently reversed through statutory adjustments to the Capital Adjustment Account.</p>	<p>In line with our build back plan substantive review of this area is planned to take place in future years. In 2024/25, we focused our time on completing planned procedures on journals, ledger reconciliations, the testing of current assets and current liabilities and the follow up work on statutory recommendations as part of our value for money work.</p> <p>We have considered whether the time constraints imposed by the backstop date 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). Along with other factors explained in this report, we plan to disclaim the opinion for 2024/25.</p>

Accounting policies, key judgements and estimates

Significant judgement or estimate	Value in accounts £000	Summary of management's approach	Audit comments and assessment
Provisions	3,101	<p>Provisions are recognised when the Council has a legal or constructive obligation arising from a past event and it is probable that settlement will require the transfer of economic benefits, even though the exact timing remains uncertain. Provisions are charged to the relevant service in the year the obligation is identified and are measured at the best estimate of the expenditure required as at the balance sheet date.</p> <p>Payments made are applied against the provision recorded in the Balance Sheet, and if the likelihood or amount of settlement reduces, the provision is reversed and credited back to the service. Where reimbursement from a third party such as an insurance claim is virtually certain, the expected recovery is recognised as income for the relevant service.</p> <p>Although most provisions are expected to be settled within 12 months, the Council recognises that some, such as insurance-related items, may take longer to resolve; however, this does not materially affect the financial statements.</p>	We were unable to complete our planned procedures because the required transaction-level listings were not provided, which meant we could not select any samples. Taken together with the other factors outlined in this report, we intend to disclaim an opinion for 2024/25.

Other responsibilities



Financial statements: other responsibilities

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Matter	Commentary	Findings
Matters in relation to fraud	We have previously discussed the risk of fraud with management and the Audit and Governance Committee. We have not been made aware of any other incidents in the period. No other issues have been identified during the course of our audit from the work we have been able to complete.	As we plan to issue a disclaimer of opinion for the audit, we are unable to reach a conclusion on this area.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed from the work we have been able to complete.	As we plan to issue a disclaimer of opinion for the audit, we are unable to reach a conclusion on this area
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, and we have not identified any instances from the audit work we have been able to complete.	As we plan to issue a disclaimer of opinion for the audit, we are unable to reach a conclusion on this area
Written representations	A letter of management representations has been requested from the Council.	Please refer to the letter of representation included alongside this report.
Confirmation requests from third parties	As part of our audit work, we planned to complete testing over cash and cash equivalents, which required obtaining an independent bank confirmation. To date, we have been unable to finalise this testing because the bank confirmation has not been received	As we plan to issue a disclaimer of opinion for the audit, we are unable to reach a conclusion on this area

Financial statements: other responsibilities

Matter	Commentary	Findings
<p>Going concern</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 and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK) 570). Management prepared the financial statements on a going concern basis applying the continuation of services provision set out in Practice Note 10. We have confirmed that this is appropriate as there is no known intention to transfer the services provided by the Council outside the public sector. We have not identified any material uncertainties relating to going concern at the Group.</p>	<p>As we have been unable to conclude our audit in advance of the backstop date, we have not been able to obtain sufficient appropriate audit evidence to enable us to conclude that:</p> <ul style="list-style-type: none"> • a material uncertainty related to going concern has not been identified • management’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.
<p>Other information (Narrative report and Annual Governance Statement)</p>	<p>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 not required to consider whether the Annual Governance Statement addresses all risks and controls or whether risks are satisfactorily addressed by internal controls.</p>	<p>As we plan to issue a disclaimer of opinion for the audit, we are unable to reach a final conclusion on this area.</p>
<p>Matters on which we report by exception</p>	<p>We are required to report on a number of matters by exception:</p> <ul style="list-style-type: none"> • 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 • Where we are not satisfied in respect of arrangements to secure value for money and have reported significant weaknesses 	<p>We have nothing to report on these matters. However, as we plan to issue a disclaimer of opinion for the audit, we are unable to reach a final conclusion on this area.</p>

Financial statements: other responsibilities

Matter	Commentary	Findings
Disclosures	From the work completed, our review identified some disclosure issues, which are highlighted with the Audit Adjustments section	We have identified and reported disclosure errors in this report. As we plan to issue a disclaimer of opinion for the audit, we are unable to reach a final conclusion on this area
Specified procedures for the Whole of Government Accounts	<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 August 2025 which set out the procedures that the NAO require from component auditors. However, the NAO may direct auditors of components below the audit threshold to undertake additional work.</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 required.</p>	We will complete and submit a partial assurance statement after issue of our auditor's report and await further guidance on whether or not any additional testing is required.
Certification of closure of the audit	We are required to certify the closure of the audit on completion of all audit work for the financial year required under the Code.	We cannot issue our certificate of closure until the Comptroller and Audit General has certified the WGA for 2024-25. Our auditor's report will therefore include a delayed certificate.
Statutory powers and duties	We are required to report by exception if we have applied our other statutory powers or duties during the audit.	We have not exercised any of our additional statutory powers or duties. Statutory recommendations were issued in April 2025 and we have followed up the Council's progress in response to these as part of our value for money work, reported to the Council in November 2025.

Audit adjustments



Audit adjustments

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit.

Disclosure / issue / omission	Outcome	Adjustment agreed?
<p><u>Narrative statement</u> -Narrative statement states £6.7m capital expenditure; Note 7 shows total capital spend £7.064m including intangibles and CERA.</p>	Management has agreed to make the necessary changes.	Y
<p><u>Short-term investments presentation</u> -Balance Sheet shows £2,942k short-term investments; Financial Instrument note appear to show only £903k FVOCI without clearly showing remaining £2,039k amortised cost.</p>	Management has agreed to make the necessary changes.	Y
<p><u>Borrowings disclosure in Note 12. Financial Instruments Note</u> -We identified a disclosure issue relating to borrowings. The total short-term borrowings disclosed on the balance sheet amount to £63m; however, this does not agree with the figures presented in the financial instruments note. The note incorrectly shows short-term borrowings of £13m. In addition, long-term borrowings have been misstated in the financial instruments note as £51.5m instead of £1.5m. Accordingly, adjustments to the note are required.</p>	Management has agreed to make the necessary changes.	Y
<p><u>Net Pension Asset (23/24)</u> -The comparative figure is an asset and therefore should be presented within the asset section of the Balance Sheet</p>	Management has agreed to make the necessary changes.	Y
<p><u>Cashflow statement</u> -The net cash inflow from operating activities for 2023/24 should be £2,384k, not £2,374k, to ensure consistency with the signed 2023/24 accounts. -The cash figure disclosed in the cash flow statement differs from the figure disclosed in the balance sheet and does not agree with the signed 2023/24 accounts.</p>	Management has agreed to make the necessary changes.	Y

Audit adjustments

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit.

Disclosure / issue / omission	Outcome	Adjustment agreed?
<u>Audit fees:</u> - The audit fee disclosed in the accounts does not agree to the published scale fee. The council has disclosed a fee of £165k, whereas the applicable scale fee is £180.9k.	Management has agreed to make the necessary changes.	Y
<u>Minor presentational, formatting and disclosure issues</u> - We proposed a number of minor changes and narrative amendments to improve the presentation of the accounts.	Management has agreed to make the necessary changes.	Y

Audit adjustments

Misclassification and disclosure changes

Disclosure / issue / omission	Outcome	Adjustment agreed?
<p>Summary of Identified Differences in Prior-Year Comparative Figures</p> <ul style="list-style-type: none"> Total Net Assets / Total Reserves have reduced from £122,156k in the signed 2023/24 accounts to £118,536k in the 2024/25 comparatives, a difference of £3,620k. Capital Adjustment Account comparatives have similarly decreased by £3,620k (from £61,619k to £57,999k), reflecting the same movement noted above. Earmarked Reserves have increased by £1,104k, from £20,912k to £22,016k. Short-term Borrowing has increased by £3,620k, from £48,500k to £52,120k. The Pension Reserve has changed marginally, decreasing by £16k (from £5,266k to £5,250k). Other Comprehensive Income (OCI) reported in the Movement in Reserves Statement has decreased by £973k (from £18,576k to £17,603k). Total Unusable Reserves Movement has increased by £4,593k, from £16,440k to £21,033k. Net cash inflow from operating activities has changed from £2,384k to £2,374k. The cash figure disclosed across the statements is inconsistent, with a reduction from £8,944k to £4,156k, a difference of £4,788k. Depreciation charges have changed, including: <ul style="list-style-type: none"> - Other Land & Buildings: increased by £4,719k (from £36,821k to £41,540k) - Vehicles, Plant & Equipment: increased by £1,368k (from £20,191k to £21,559k) Note 8 – Analysis of Fixed Assets shows incorrect comparative figures, with changes totalling £12,617k. Note 12 – Borrowing at amortised cost differs by £3,620k, consistent with the change in short-term borrowing. Note 6 – Earmarked Reserves is also misstated by £1,104k, consistent with the movement identified above. 	<p>Management has agreed to make the necessary changes.</p>	<p>Y</p>
<p>Prior period adjustments</p> <p>-The council will need to update the column headings for the comparative figures to indicate that they have been restated, and include a note explaining the changes made to those comparative figures</p>	<p>Management has agreed to make the necessary changes.</p>	<p>Y</p>

Building back assurance



Building back assurance

We set out below the work we have done to build back assurance from disclaimed years of audit. Our work has been undertaken in accordance with the statutory guidance set out in Local Audit Reset and Recovery Implementation Guidance (LARRIG) 01 to 06

Build back activity	Commentary
<p>Risk Assessment (LARRIG 06)</p> <p>We are required by LARRIG 06 to evaluate the inherent risk of material misstatement in the opening general fund and HRA balances and associated earmarked reserves following prior year disclaimers.</p> <p>This in turn informs the volume of work necessary to recover assurance over the reserves position as a 1 March 2025.</p>	<p>We have considered the guidance set out in LARRIG 06 issued by the National Audit Office to determine the risk of material misstatement in the general fund and HRA reserves of the Council at 1 March 2025.</p> <p>This involved a detailed assessment of a number of risk factors, as set out in LARRIG 06, including consideration of the following:</p> <ul style="list-style-type: none">• Whether the Council has a history of timely production of the financial statements• The number of years for which disclaimed opinions have been issued• The complexity and volume of movement in reserves over the disclaimed period• The strength of the control environment in place over the period of disclaimed opinions• Changes in key personnel, financial reporting systems or key processing activities during the disclaimed period• Previous reporting of significant deficiencies in control, significant weaknesses in arrangements to secure VFM or material or other misstatements• The level of reserves in place over the disclaimed period• Issues reported by Internal Audit and in the Annual Governance Statements



Building back assurance

LARRIG06 Qualitative risk assessment: Outcome

We have commenced our procedures in this area as part of our build-back risk assessment in accordance with the requirements and statutory considerations set out in LARRIG06. The procedures are comprehensive and, as agreed with management, the majority of this work will take place in 2025/26. This was to enable the delays experienced in the conclusion of the 2021/22, 2022/23 and 2023/24 audits to be recovered in 2024/25. The recovery of these delays has been achieved.

As part of our procedures under this stream, we had planned to reconcile the financial statements to the general ledger and the trial balance for the current year and each previously disclaimed year, tracing back to the last clean opinion dated 31 March 2021. We have agreed with management that there will not be sufficient time for the finalisation of this work ahead of the backstop date, and we will therefore continue this work during the 2025/26 audit.

Based on our preliminary work and our understanding of the factors in place at the Council over the disclaimed period, we have determined that East Hertfordshire District Council is at the higher end of the risk spectrum for build-back purposes. This is because a number of factors indicating high risk, as per LARRIG06, are features of the Council, including the statutory recommendation made as part of the value for money work, the general complexity of the accounts, the delays experienced during the disclaimed years and the reconciling issues which remain under investigation following our initial assessment and analysis of reserves movements over the disclaimed period. In addition, we have encountered issues with the transaction listings provided for the purposes of audit testing, including inconsistencies with the general ledger, and delays in obtaining complete and accurate information. The Council has also adjusted some comparative figures, which adds further complexity to the build-back process.

As a result, it is likely that full build back procedures will be required in the coming years in respect of income and expenditure in the disclaimed period. We will continue and conclude our detailed LARRIG06 risk assessment in 2025/26.



Building back assurance

Build back activity	Commentary	Outcome
<p>Phase 2: Build back of assurance in respect of other balances directly influenced by the opening position over the disclaimed period</p> <p>Build back of assurance in respect of Property, Plant and Equipment over the disclaimed period</p>	<p>In order to build back assurance over the reserves, we are required to undertake substantive testing of movements in property, plant and equipment over the disclaimed period.</p> <p>In order to build back assurance over balances where the closing position is directly influenced by the opening position, we are required to undertake substantive testing of movements in these balances over the disclaimed period.</p>	<p>As agreed with management and in line with our over-arching build back plan, build back of property, plant and equipment movements will take place in 2025/26.</p>
<p>Phase 3: Build back of assurance in respect of unusable and useable reserves</p>	<p>We have commenced our procedures, including reconciling and validating the movements within the Movement in Reserves Statement (MIRS) for each disclaimed audit period back to the last clean opinion. This work remains ongoing. During our review, we identified changes to the comparative figures within the MIRS. For example, the Other Comprehensive Income (OCI) balance has been amended from £18,576k to £17,603k, and total unusable reserves have changed from £16,440k to £21,033k. These adjustments indicate that the underlying reserve movements are still being refined, and further analysis will be required to understand the basis for these revisions and to assess their implications for the build-back process</p>	<p>The reconciling issues between audit years over the disclaimed period require further audit investigation. We will continue and conclude our work in this area in 2025/26.</p>



Value for money



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').

We have completed our value for money work. Our detailed findings were reported in our Auditor's Annual Report in November 2025.

We have concluded there are significant weaknesses in the Council's arrangements and so are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The significant weaknesses and key recommendations arising are summarised on the next page. Our auditor's report will refer to the significant weaknesses in arrangements we have identified. Further detail is contained in our Auditor's Annual Report.

Reporting criteria	Planning – risk of significant weakness identified?	Final – significant weakness identified?	Recommendations made		
			Statutory	Key	Other
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	Yes	Yes	No	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 weaknesses and key recommendations

The significant weaknesses we have identified and the key recommendations made are set out below. Our detailed commentary is set out in our separate Auditor’s Annual Report.

Observation previously reported	Criteria	Recommendation previously made	Auditor update 2024/25
<p>Statutory financial reporting There are significant weaknesses in the Council’s arrangements for the preparation and publication of financial statements. In 2023/24, the Council did not produce its financial statements in line with the Accounts and Audit regulations and did not include the required notices on its website. The Council has started responding to the statutory recommendations made in April 2025 by the previous auditor in respect of the significant weaknesses but there has, to date, been insufficient time for these to have been developed, actioned and implemented in full.</p>	<p>Governance</p>	<p>Finance function workflow review 1. Conduct a comprehensive review of the finance function workflow to identify bottlenecks in the flow of information and the completion of key finance tasks. Use the findings to redefine roles and responsibilities within the finance team, ensuring an equitable distribution of workload and preventing any single individual from being overburdened. Although the finance structure is still under review.</p>	<p>A review of the finance structure is currently underway, aimed at reducing dependency on specific individuals and addressing operational bottlenecks. Input has been provided by the Interim CFO (in March), the current CFO, Brian Moldon, and the Interim Group Accountant to inform the process with insights into effective working practices and structures from comparable authorities. The distribution of roles and responsibilities is being clarified within the proposed structure.</p> <p>This work remains in progress and as such the recommendation remains open.</p> <p style="text-align: right;"><i>continued.....</i></p>



Value for money: significant weaknesses and key recommendations

Observation previously reported	Criteria	Recommendation previously made	Auditor update 2024/25
<p>Statutory financial reporting <i>continued from previous page</i></p>	<p>Governance</p>	<p>Quality assurance function review 2. Implement a thorough review of the quality assurance process for draft accounts and underlying workpapers. Establish clear timelines for the closedown process, ensuring appropriate segregation of duties between those preparing and those reviewing the draft accounts and workpapers. Monitor adherence to this process and report performance to the Audit and Governance Committee.</p>	<p>The quality assurance process has commenced. A timetable for the 2025/26 closedown process is in place and will be reviewed by the end of January to ensure it remains fit for purpose. Further enhancements to the review process are being considered, including the introduction of formal review checks to ensure appropriate segregation of duties; specifically, that working papers prepared by one individual are independently reviewed by another. Weekly meetings will be held throughout the closedown period to monitor progress and maintain oversight. The 2024/25 financial statements were published on time and in line with the Accounts and Audit (Amendment) Regulations 2024.</p> <p>Work remains in progress and as such the recommendation remains open.</p> <p style="text-align: right;"><i>continued.....</i></p>

Value for money: significant weaknesses and key recommendations

Observation previously reported	Criteria	Recommendation previously made	Auditor update 2024/25
<p>Statutory financial reporting <i>continued from previous page</i></p>	<p>Governance</p>	<p>Finance team capacity</p> <p>3. Re-assess roles, responsibilities and resource requirements for financial reporting across the Council, including an assessment of the support required from other functions within the organisation for the financial reporting function to meet its objectives and to restore timely financial reporting in accordance with the requirements of the Accounts and Audit (Amendment) Regulations 2024.</p> <p>The Council will also need to ensure it can restructure the finance team such that there is sufficient capacity to facilitate annual external audit reviews and the building back of assurance over the disclaimed audit years.</p>	<p>Monthly meetings have been established between the Chief Finance Officer, Deputy Chief Finance Officer and the Leadership Team to focus on the Council’s financial requirements. Roles within the Finance Team are currently under review as part of a broader restructure. This review aims to distribute workload more evenly across the team and ensure that high-risk areas are appropriately resourced, allowing sufficient capacity to concentrate on key priorities during critical periods.</p> <p>There is progress; however, implementing this recommendation is key if the Council is to continue to produce accounts on time and, moreover, have sufficient capacity to facilitate the annual audit and the additional audit work required to build back assurance and lift the disclaimer by 2028. During 2025 we continued to experience delays in obtaining information to support audit progress.</p> <p>Work remains in progress and as such the recommendation remains open.</p>

Independence and ethics



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.

Non-audit service fees

Service	2024/25 Fee £	Threats identified	Safeguards
Housing Benefit (HBAP) certification	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.

Appendices



Appendices

Appendix I: Recommendations arising from the audit	62
Appendix II: Fees	79



Recommendations



Appendix I: Recommendations

Recommendations 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
GREEN	East Hertfordshire District Council has in place an IT Acceptable Use Policy which communicates information and cyber security responsibilities to staff. There is no clear version control applied to this policy, with no review dates or frequencies applied. This is also the case for the Data Protection Policy, which sets out responsibilities of staff with direct relevance to data protection. There is a risk that, without a predefined review cycle, policies may not be reviewed regularly or in a timely manner. This may lead to outdated guidance or misalignment with evolving threats and risks, regulatory requirements, and organisational changes. This may lead to gaps in the organisation's security posture and staff awareness of key responsibilities in maintaining confidentiality, integrity and availability of information.	East Hertfordshire District Council should establish a predefined review for all cyber related policies, including the IT Acceptable Use Policy and Data Protection Policy, to ensure they are assessed and updated at appropriate intervals. This will help maintain alignment with emerging risks, regulatory changes, and best practice, ensuring staff responsibilities for information and cyber security remain clear and up to date.	We have implemented a SharePoint review schedule (9/2/25) to track the review/approval dates for policies and standards, as well as their following scheduled review dates. A screenshot has been uploaded to Cozone (EHDC and SBC - Observations Log - SharePoint review site). Version control Action Plan: Agree on a version control standard and apply it to all ICT-generated policies and standards. Timeline: Implement by 31/10/25.

Key: **Significant** effect on financial statements **Limited** effect on financial statements **Low** improvement point / best practice



Appendix I: Recommendations

Assessment	Issue	Recommendation	Management response
GREEN	The council has documented key roles and their related responsibilities with direct relevance to data protection within the Data Protection Policy. There is no wider, formal documentation of the responsibilities assigned to those in key roles, and the Council does not have an Information Security Policy in place. Without formal, approved and easily accessible documentation in place which communicates the responsibilities of staff with specialist/dedicated information and cyber security roles, there is a risk that individuals will not be aware of good practice and the responsibilities expected of them. This may impact upon their ability to successfully fulfil these roles, and on the awareness of general staff with regard to who can provide support in particular areas.	East Hertfordshire District Council should ensure that key information and cyber security roles at all levels of the organisation are documented within policy alongside their associated responsibilities. The Council may wish to consider implementing an overarching Information Security Policy in which this can be done.	ICT and the Leadership Team will consider this recommendation and will determine the most appropriate approach to best meet these recommendations. Timeline: Implement by 31/12/25
GREEN	We could not confirm if the job schedule within Advanced is restricted to appropriate personnel. Excessive privileges/administrator rights increases the likelihood that IT general controls can be changed, suppressed or circumvented thus reducing the consistency of the control operation (this access could be to data files, database tables, configuration, job schedules, batch routines and/or system generated reports.	We recommend conducting a review of users with access to the job schedules to confirm that this access is appropriate and required to perform their job role.	From a Finance perspective only Administrators can see the job schedule list. This is not changed. We have no access to the servers, that is an IT function.

Key: **Significant** effect on financial statements **Limited** effect on financial statements **Low** improvement point / best practice

Appendix I: Recommendations

Assessment	Issue	Recommendation	Management response
GREEN	East Hertfordshire District Council has in place a CIRP and Phishing Incident Response Playbook which, jointly, set out the organisation's approach to cyber incident response. The Council has evidenced consideration of the detection of, management of and response to cyber security incidents. It is noted that the CIRP is undated, with no version control applied. There is a risk that if incident response planning is not kept up-to-date, plans and procedures may not reflect current threats, technologies, or organisational changes. This could lead to delays or inadequate response during an actual incident.	The Council should establish a regular review and approval process for incident response planning. This should occur on an annual basis or in response to any significant changes. Requirements for review should be documented within procedure to ensure accountability.	We have implemented a SharePoint review schedule (9/2/25) to track the review/approval dates for policies and standards, as well as their following scheduled review dates. A screenshot has been uploaded to Cozone (EHDC and SBC - Observations Log - SharePoint review site). Version control Action Plan: Agree on a version control standard and apply it to all ICT-generated policies and standards. Timeline: Implement by 31/10/25.
GREEN	The Access Control, Acceptable Use and Backups Policy lack a version control, and we are unable to determine when the policies were last updated. An out-of-date policy is likely to drive an inconsistent approach to the design, implementation and/or operating effectiveness of the processes and controls	We recommend implementing a version control to all policies to enable the last changed date and approvals to be recorded. Policies should be kept up-to-date and relevant to the organisational processes.	We have implemented a SharePoint review schedule (9/2/25) to track the review/approval dates for policies and standards, as well as their following scheduled review dates. A screenshot has been uploaded to Cozone (EHDC and SBC - Observations Log - SharePoint review site). Version control Action Plan: Agree on a version control standard and apply it to all ICT-generated policies and standards. Timeline: Implement by 31/10/25.

Key: **Significant** effect on financial statements **Limited** effect on financial statements **Low** improvement point / best practice



Appendix I: Recommendations

Assessment	Issue	Recommendation	Management response
GREEN	<p>East Hertfordshire District Council has not formally documented planning to improve cyber security arrangements and comply with necessary requirements. Mitigation treatment plans are documented against some risks on the Cyber Risk Register however, a number of these have not been completed for tracking. Without formal, up-to-date planning for cyber security actions, improvements and strategy, there is a risk that cyber security initiative lack coordination, prioritisation and accountability. This may result in reliance on reactive, rather than proactive, responses to continuing threats and evolving environments. This, in turn, may result in an increase in the likelihood of non-compliance with regulatory or legislative requirements and leave the organisation vulnerable to cyber incidents.</p>	<p>East Hertfordshire District Council should continue the work to set out the cyber improvement plan for the Council. This should link back to the Cyber Risk Register, setting out the treatment plans, and current mitigations are documented.</p> <p>The cyber security strategy or action plan should clearly outline strategic objectives, key initiatives, timelines, and responsible owners. It should also include mechanisms for regular review and update, to ensure the Council can respond effectively to evolving cyber threats and meet relevant compliance obligations.</p>	<p>This work has been completed</p>

Key: **Significant** effect on financial statements **Limited** effect on financial statements **Low** improvement point / best practice



Appendix I: Recommendations

Assessment	Issue	Recommendation	Management response
GREEN	<p>East Hertfordshire District Council has not undertaken any testing of cyber incident response planning materials during the reporting period.</p> <p>If regular, holistic testing and exercising of plans is not undertaken, there is a risk that individuals with incident response roles will be underprepared to act effectively during an incident. There is also a risk that plans may become inappropriate in nature, failing to take into account changes made within the organisation</p>	<p>East Hertfordshire District Council should ensure that requirements for testing/exercising and subsequent lessons learned activities are set out within the CIRP.</p> <p>Incident response plans should be subject to regular testing to assess the effectiveness of response and recovery procedures, with tests encompassing formats such as desktop scenarios and simulations. Testing should be documented, with lessons learned activities performed and used to inform planning going forward.</p>	<p>A joint incident-response tabletop exercise between East Hertfordshire District Council and Stevenage Borough Council was carried out on Friday, 12 September 2025. The session went as planned, and the Senior Leadership Team successfully completed the four-day ransomware attack simulation.</p>
AMBER	<p>The Advanced password configuration deviates from the password policy for minimum length, password history, account lockout threshold and duration. The configuration deviates from best practice guidance for minimum length, complexity, password history, account lockout threshold and duration as well as multi-factor authentication. Weak password management controls result in an increased likelihood of brute-force attack (i.e. a password cracking method used by cyber-criminals used to determine account credentials)</p>	<p>We recommend that the minimum length should be increased to 12 characters.</p> <p>The password policy should be reviewed and updated to align with NCSC best practice guidance which is as follows;</p> <ul style="list-style-type: none"> - User ID and Password required (unless SSO is used) - Minimum length: 12 characters - Complexity: Disabled - Password History: 8-24 passwords - Lockout Threshold: 5-10 attempts - Logout Duration: 2-15 minutes - Multi-factor Authentication: Enabled 	<p>The current version of Advanced is quite old and does not give us the ability to change the password configuration. We will be moving to either the cloud or a newer version of Advanced within the next 12 months which should give us more flexibility around password rules and authentication.</p>

Key: **Significant** effect on financial statements **Limited** effect on financial statements **Low** improvement point / best practice



Appendix I: Recommendations

Assessment	Issue	Recommendation	Management response
AMBER	<p>The Council does not undertake user access reviews of Active Directory and Advanced accounts.</p> <p>A lack of periodic review of user access could result in inappropriate, excessive or unauthorised access being available to users/leavers.</p>	<p>We recommend conducting a review of all users with access to the finance system on at least an annual basis to ensure access is appropriate and necessary.</p>	<p>An Active Directory (AD) hygiene check is currently underway, initially focusing on securing privileged accounts before progressing to service and user accounts. Considerable progress has been made in identifying the 127 generic accounts originally flagged; however, the full review remains ongoing to avoid disrupting legacy services. We are now deploying Silverfort to improve our visibility and control over the environment. This tool enables us to perform more in-depth analysis of generic and service account behaviour in real-time, facilitating a more efficient and automated "clean-up" compared to manual sampling. Accounts confirmed as necessary have been assigned expiry dates, and credentials are secured within 1Password to maintain an audit trail.</p> <p>Revised Timeline: Implement by 31/03/26.</p>

Key: **Significant** effect on financial statements **Limited** effect on financial statements **Low** improvement point / best practice



Appendix I: Recommendations

Assessment	Issue	Recommendation	Management response
AMBER	As part of our value for money work we issued key recommendations relating to finance team capacity. We note these recommendations here for completeness but do not duplicate them.	See Auditor's Annual Report key recommendations	See Auditor's Annual Report key recommendations
AMBER	Journals below £5,000 are automatically posted to the General Ledger without any independent review or authorisation. This presents a control weakness, as transactions under the threshold bypass validation of supporting documentation. Consequently, there is an increased risk that inappropriate, erroneous, or potentially fraudulent entries could be recorded in the financial system without detection.	Management should introduce an authorisation control for all journal entries regardless of value to ensure that no transactions bypass review. This will help reduce the risk of inappropriate, erroneous, or fraudulent entries being recorded in the financial system.	While management considers the £5K threshold appropriate, compensating controls will be implemented. These include monthly independent post-posting reviews of all journals below the £5K with evidence of review retained.
AMBER	The listings provided for both current assets and current liabilities were not suitable for audit sampling. The schedules did not include transaction-level detail and showed only in-year movements rather than the full year-end balances. As a result, we were unable to select items for testing or complete the required audit procedures over these balances within the remaining time before the statutory backstop.	To enable the audit of balances, listings for all balances should include full transaction-level detail, and current asset and liability listings should comprise the complete year-end balances for each item. Providing this level of detail will enable appropriate sample selection and support the timely completion of the required audit procedures.	Accepted that the previous listings were not appropriate, the process for producing the listings has been reviewed during 2025/26 and the listings will be provided in line with expectation for 2025/26 audit and onwards.

Key: **Significant** effect on financial statements **Limited** effect on financial statements **Low** improvement point / best practice



Appendix I: Recommendations

Assessment	Issue	Recommendation	Management response
AMBER	<p>We identified that system administrators responsible for setting up and maintaining user accounts also retain the ability to post journals within the financial system. This creates a segregation-of-duties conflict, as the same individuals can both grant access and process financial transactions. This combination of responsibilities increases the risk that unauthorised or inappropriate journal postings may not be prevented or detected. An individual with such access could create or modify user accounts and subsequently use those accounts to post journals without independent oversight, increasing the potential for fraud, error, or manipulation of financial data.</p> <p>Whilst our work has not identified any instances of super-user access being used inappropriately, the risk of this taking place remains.</p>	<p>We recommend that management review system access rights to ensure an appropriate segregation of duties between user administration and journal-posting functions. Journal posting permissions should be removed from administrators responsible for creating and maintaining user accounts, and administrative access should be clearly defined and restricted solely to system management activities.</p>	<p>Management acknowledges the segregation of duties conflict arising from system administrators also holding journal posting access. Due to the size of the finance team, full segregation is not currently achievable. To mitigate this risk, a compensating control is in place whereby the Associate Director of Finance performs a monthly independent review of all journals, including those below £5,000 and those posted by users with administrative access. Evidence of review is retained. In addition, journal authorisation is enforced at batch type, and individual users cannot authorise their own journals. As part of the finance restructure, roles and access rights will be reviewed to determine whether further segregation can be implemented.</p>

Key: **Significant** effect on financial statements **Limited** effect on financial statements **Low** improvement point / best practice



Appendix I: Recommendations

Assessment	Issue	Recommendation	Management response
AMBER	<p>We identified 65 generic accounts, some with unknown usage, passwords or access. We sampled 5 generic accounts to understand their use and access. 3 of these accounts had unknown usage and unknown passwords and were found to be not appropriate.</p> <p>Access to systems relevant to financial reporting processes is not attributable to individual users, thus reducing the ability to monitor appropriate and/or inappropriate activities in the system.</p>	<p>We recommend conducting a review of all users in Active Directory to ensure their access to the network is necessary and appropriate. Non-attributable (generic) accounts should be limited and restricted. The passwords to generic accounts should be stored in a password manager and only accessible by appropriate members of the team.</p>	<p>An Active Directory (AD) hygiene check is currently underway, initially focusing on securing privileged accounts before progressing to service and user accounts. Considerable progress has been made in identifying the 127 generic accounts originally flagged; however, the full review remains ongoing to avoid disrupting legacy services. We are now deploying Silverfort to improve our visibility and control over the environment. This tool enables us to perform more in-depth analysis of generic and service account behaviour in real-time, facilitating a more efficient and automated "clean-up" compared to manual sampling. Accounts confirmed as necessary have been assigned expiry dates, and credentials are secured within 1Password to maintain an audit trail.</p> <p>Revised Timeline: Implement by 31/03/26.</p>
AMBER	<p>We identified 14 domain administrator accounts which are under review for appropriateness. Excessive privileges/administrator rights increases the likelihood that IT general controls can be changed, suppressed or circumvented thus reducing the consistency of the control operation (this access could be to data files, database tables, configuration, job schedules, batch routines and/or system generated reports.</p>	<p>We recommend conducting a review of all users including those with elevated privileges such as domain, enterprise and global administrators to ensure their access is appropriate and necessary to perform their job role.</p>	<p>The review of the two domain administrator accounts and overall elevated privileges is currently underway as part of the broader AD hygiene project. The introduction of Silverfort has specifically addressed the risk of "excessive privileges" by providing granular MFA and monitoring for administrative access that was previously difficult to track. All privileged accounts are being documented with clear job-role justifications. We are enforcing complex password rotations managed via 1Password.</p> <p>Revised Timeline: Implement by 31/03/26.</p>

Key: **Significant** effect on financial statements **Limited** effect on financial statements **Low** improvement point / best practice



Appendix I: Recommendations

Assessment	Issue	Recommendation	Management response
AMBER	<p>East Hertfordshire District Council does not have in place a documented approach to risk management which sets out how the organisation manages, identified, assesses, reports, escalates and treats risk. Without a documented risk management approach, there is a risk of ineffective or inconsistent risk management being applied. This could lead to threats, risks and vulnerabilities going unidentified or being mismanaged, and may result in a lack of alignment across the organisation.</p>	<p>East Hertfordshire District Council should introduce an overarching risk management approach, such as a framework, policy or strategy, which sets out how risks within the organisation should be managed in line with defined risk appetite. This approach should include areas such as risk identification and assessment, risk reporting and escalation, and risk treatment.</p> <p>Once implemented, the Council should ensure that their approach is kept up-to-date and reviewed on a regular basis (e.g., annually) and in response to any significant organisational changes. The approach should be approved by an individual at a suitable level of management with responsibility and/or accountability for oversight of risk management.</p>	<p>From a Finance perspective only, Administrators can see the job schedule list. This is not changed. We have no access to the servers, that is an IT function</p>

Key: **Significant** effect on financial statements **Limited** effect on financial statements **Low** improvement point / best practice



Appendix I: Internal control recommendations

Follow up of prior year recommendations

Assessment 2023/24	Issue	Recommendation	Auditor update 2024/25	Outcome
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	Action completed. Recommendation closed
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 15 July 2025, the council appointed the Cyber Manager and an ICT Senior Cyber Technical Engineer who will oversee the results of scans and implement mitigation controls based on the action plan derived from these scans.	Action completed. Recommendation closed

Appendix I: Internal control recommendations

Follow up of prior year recommendations

Assessment 2023/24	Issue	Recommendation	Auditor update 2024/25	Outcome
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, the council appointed a Cyber Manager and an ICT Senior Cyber Technical Engineer. They have assessed their third-party cloud providers against the NCSC's 14 Cloud Security Principles. Additionally, exploring the implementation of Risk Ledger to manage and enhance these processes	Action completed. Recommendation closed
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).	Work is underway	Action in progress. Recommendation remains open

Appendix I: Internal control recommendations

Follow up of prior year recommendations

Assessment 2023/24	Issue	Recommendation	Auditor update 2024/25	Outcome
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>	<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.</p>	<p>This has been addressed with no further issues note.</p>	<p>Action completed. Recommendation closed</p>
AMBER	<p>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.</p>	<p>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.</p>	<p>This has been addressed; the council created an Information Asset Register along with an Information Management policy.</p>	<p>Action completed. Recommendation closed</p>

Appendix I: Internal control recommendations

Follow up of prior year recommendations

Assessment 2023/24	Issue	Recommendation	Auditor update 2024/25	Outcome
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.	The council appointed a Cyber Manager and ICT Senior Cyber Technical Engineer who have addressed this issue	Action completed. Recommendation closed
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.	Action completed. Recommendation closed
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	Action completed. Recommendation closed

Appendix I: Internal control recommendations

Follow up of prior year recommendations

Assessment 2023/24	Issue	Recommendation	Auditor update 2024/25	Outcome
AMBER	<p>The Council's policies that relate to establishing an effective IT security environment should be documented, approved, communicated and acknowledged periodically by staff.</p> <p>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.</p>	<p>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.</p>	<p>This has been addressed and is reviewed on an annual basis.</p>	<p>Action completed. Recommendation closed</p>
AMBER	<p>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.</p> <p>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.</p>	<p>Backups should be tested on a regular basis, in line with the policy requirements.</p>	<p>This has been addressed and is reviewed on an annual basis.</p>	<p>Action completed. Recommendation closed</p>

Appendix I: Internal control recommendations

Follow up of prior year recommendations

Assessment 2023/24	Issue	Recommendation	Auditor update 2024/25	Outcome
AMBER	<p>The password configuration of the Active Directory does not fully align with the council's password policy, although the enforced parameters are considered stringent.</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>Password configuration of the Active Directory should be brought in line with the Council's password policy.</p>	<p>This has not yet been addressed. Management has noted that our current version of Advanced is outdated and does not provide the capability to modify password configuration settings. Hence the council plans to migrate to either to the cloud or to a newer version of Advanced within the next 12 months, which should offer greater flexibility with password rules and authentication options</p>	<p>Action in progress. Recommendation remains open</p>

Fees



Appendix II: Fees

Our fees for the year ending 31 March 2025 are set out in the PSAA scale fees communication and are shown below and on the next page

Audit fees	Proposed fee £	Final fee £
<i>Scale fee – base fee for the audit of the Council (and Group’s) financial statements (as set out in the scale fees issued by PSAA)</i>		
<p>Core work: Undertaking work on balances that have not been subject to audit for several years necessarily means the audit on the current year balances takes longer than would ordinarily be the case. Additional time from within the scale fee was therefore focused on this in line with our build back plan. Our scale fee work in 2024/25 was focused on recovery of delays from the prior year to bring all of our planning and risk assessment procedures up to date, the work in response to the statutory recommendations raised in April 2025 as part of our wider value for money work, and conducting procedures over year end balance sheet positions, journals, fraud testing and in-year reserves movements and analysis. Our findings from this work, including challenges encountered, are set out throughout this report. This fee also includes all work relating to value for money and IT general controls. Our Auditor’s Annual Report was issued in November 2025, contained 15 recommendations and covered a wide breadth of risk areas. Our ITGC work is reported in this document and comprises 24 recommendations including follow up from the prior year.</p>	180,854	180,854
<p>In year quality and preparation issues: Management has been engaged and supportive. The matters reported in this report are not a reflection of a lack of engagement from management nor a reflection of poor quality in management’s processes or preparation. Rather they are unavoidable implications arising from a position wherein the Council’s accounts have not been audited for several years.</p>	0	0
<i>Other fees</i>		
<p>IFRS16 Leases: work needed to audit the new standard. PSAA have confirmed this work is not included in the above scale fee. This work will take place in 2025/26</p>	TBC	0
<p>VFM additional risks: Our value for money work included detailed consideration across a wide breadth of risks and resulted in 15 recommendations. The costs of this work has been absorbed within the above scale fee</p>	TBC	Included in scale fee, above
Sub total	TBC	180,854



Appendix II: Fees

Our fees for the year ending 31 March 2025 are set out in the PSAA scale fees communication and are shown below and on the next page

Audit fees	Proposed fee £	Final fee £
<i>Disclaimer reporting fees</i>		
Disclaimer fees: in year disclaimer planning and reporting. Additional work required to issue the disclaimer of opinion. This includes the extended reporting contained in this report and the audit plan, additional review and consultation requirements and additional file documentation requirements.	TBC	19,600
<i>Build back fees</i>		
LARRIG06 qualitative risk assessment: This includes all work to do on the LARRIG06 comprehensive build-back risk assessment, the identification of historic risk factors and the full consideration of the Council's complexity and control environment for all audit years back to 2021/21. This work will take place in full in 2025/26	TBC	0
LARRIG06 quantitative risk assessment: Includes all work to date on MIRS movements, analysis and assessment over the disclaimed years, the identification of historic anomalies and an assessment of the position over the full disclaimed period.	TBC	17,501
PPE build back work to date to the last clean opinion over 3 disclaimed years: This includes all work over additions, disposals, reclassifications, other PPE movements and depreciation to date for each audit year back to 2020/21. This work will take place in 2025/26	TBC	0
Work on prior year disclaimed years: This work includes work in disclaimed years including journals, trial balance agreement, control environment assessment and review of predecessor audit files. A small amount of work was undertaken this year and this has been included above in the quantitative and qualitative risk assessment fees above. Further work will be required as part of build back but, in line with our overarching build back plan, was not scheduled to take place in 2024/25.	0	0
Work on prior year disclaimed income and expenditure: This work will be required as part of build back but, in line with our overarching build back plan, was not scheduled to take place in 2024/25	0	0
Sub total	TBC	37,101



Appendix II: Fees

Our fees for the year ending 31 March 2025 are set out in the PSAA scale fees communication and are shown below and on the next page

Audit fees	Proposed fee £	Final fee £
<i>Build back fees</i>		
<p>Quality and preparation issues: Management has been engaged and supportive. The matters reported in this report are not a reflection of a lack of engagement from management nor a reflection of poor quality in management’s processes or preparation. Rather they are unavoidable implications arising from a position wherein the Council’s accounts have not been audited for several years. This includes the additional time where disclaimed year working papers were prepared by members of finance who are no longer with the Council. These are factors beyond the Council’s control and are unavoidable costs of build-back. No avoidable costs have been identified.</p>	TBC	0
<p>VFM planning, undertaking and reporting: additional issues and risks arising from a prolonged period of disclaimed opinions have been included in the current scale fee.</p>	TBC	0
<p>Sub total</p>	TBC	0
<p>Sub-total carried forward from previous pages</p>	TBC	217,955
<p>Total audit fees</p>	TBC	217,955



Appendix II: Fees

Analysis of build back fees

Component	Description	Fee for build back work	Fee for build back quality and preparation	Total fee for build back work
Opinion	Fee for work on opinion planning, undertaking and reporting	37,101	0	37,101
Value for money	Fee for work on VFM planning, undertaking and reporting	Included above	0	Included above
Total		37,101	0	37,101

Total fees

Non audit fees for other services	Proposed fee £	Final fee £
Housing Benefit (HBAP) certification (work currently ongoing)	28,000	TBC
Total non audit fees	28,000	TBC
Fees brought forward for the core audit and build back, plus disclaimer reporting costs (see previous page)	217,955	TBC
Total fees charged	299,955	TBC

The audit fees charged do not reconcile to the fees disclosed in the financial statements because the financial statements fee is not consistent with the scale fee set by PSAA.

As per PSAA's Scale Fees Consultation, the scale fees did not include the new requirements of IFRS16 Leases. Additional Fees charged are subject to the fees variation process as outlined by the PSAA. MHCLG has announced additional funding for councils to meet the cost of work undertaken to issue disclaimed opinions and recover (build back) assurance over prior disclaimed periods with a view to returning to unmodified opinions at a future date.



