



Audit and Governance Committee

Annual Report 2025/26

Foreword from the Chair of the Committee

I am pleased to present the Annual Report of the Audit and Governance Committee, which provides an overview of the Committee's work and achievements during the 2025/26 municipal year.

The Audit and Governance Committee play a key role in supporting good governance across East Hertfordshire District Council. In line with the Chartered Institute of Public Finance and Accountancy (CIPFA) guidance, the Committee provides independent assurance on the adequacy of the Council's governance framework, financial management, risk management arrangements, and internal control environment.

During the year, the Committee has continued to provide robust scrutiny and constructive challenges, particularly in relation to financial resilience, audit findings, governance arrangements, and emerging risks facing the Council.

I would like to thank all those who have supported the work of the Audit and Governance Committee throughout the year. The Committee is made up of elected Members, supported by two Independent Members who provide additional expertise and challenge. Our work is further strengthened by the valuable contributions of officers, particularly from Finance, the Shared Internal Audit Service (SIAS) and the Shared Anti-Fraud Service (SAFS). I would also like to acknowledge the contribution of our External Auditors, both Ernst & Young, who supported the Committee during the earlier part of the year, and our new auditors, Azets, who have attended meetings regularly since their appointment.

I would also like to thank the Democratic Services team for their excellent support throughout the year. In particular, I am grateful to Michele Aves for her invaluable support during meetings and for keeping proceedings focused and on track.

Councillor Martin Adams
Chair of the Audit and Governance Committee

May 2026

Role of the Audit and Governance Committee

The Audit and Governance Committee have a central role in supporting the Council's governance framework by providing independent oversight and assurance on financial management, risk management, internal control and audit arrangements.

Acting as the Council's audit committee, it is responsible for approving the Statement of Accounts and reviewing the effectiveness of the Council's Annual Governance Statement. The Committee monitors budgetary performance, treasury management activity and commercial projects, and supports the Council and the Executive in the development of the annual budget and Medium Term Financial Strategy.

The Committee oversees the work of Internal Audit, External Audit and the Shared Anti-Fraud Service, including approving audit and counter-fraud strategies and plans, considering audit reports and findings, and seeking assurance that agreed management actions are implemented. It also reviews the adequacy of the Council's risk management, anti-fraud and anti-corruption arrangements and considers reports from external inspectors and assurance bodies.

The Committee is comprised of elected Members, supported by two Independent non-voting Members, and meets regularly throughout the year to discharge its responsibilities effectively.

The full Terms of Reference for the Audit and Governance Committee are set out in Section 8 of the Council's Constitution <https://democracy.eastherts.gov.uk/documents/s65955/Other%20committees.pdf?J=2> and are reproduced in full at Appendix 1 of this report.

Committee Membership and Meetings

During 2025/26, the Audit and Governance Committee met 4 times, plus one joint meeting with the Overview and Scrutiny Committee to discuss the budget papers. The following Members were appointed to the Committee for 2025/26:

Councillor Martin Adams	Liberal Democrats (Chair)
Councillor Sue Nicholls	Green Party (Vice-Chair)
Councillor Bob Deering	Conservative
Councillor John Dunlop	Green Party
Councillor Chris Hart	Independent
Councillor Geoffrey Williamson	Conservative
Councillor David Willcocks	Labour
Mr M Poppy	Independent (non-voting)

Mr N Sharman Independent (non-voting)

Substitutes:

Councillor John Wylie	Conservative
Councillor Maura Connolly	Green Party
Councillor Nick Cox	Green Party
Councillor David Jacobs	Labour
Councillor Simon Marlow	Liberal Democrats
Councillor Miriam Swainston	Liberal Democrats

Key Areas of Work in 2025/26

The Committee operates an annual work plan designed to ensure that its responsibilities are covered in a structured and appropriately timed manner throughout the financial year. Meeting agendas are published on the Council's website to support transparency and public access.

During 2025/26, the Committee undertook work across the full range of its responsibilities. A comprehensive list of reports considered during the year is provided at Appendix 2, with the key areas of activity summarised below.

Financial Reporting and Statement of Accounts

The Committee is responsible for approving, on behalf of the Council, the Annual Statement of Accounts and for providing assurance that appropriate accounting policies have been applied and that any significant issues arising from the accounts or the external audit are properly considered.

During 2025/26, the Committee dealt with an exceptional set of circumstances, approving four sets of accounts in total. This included the 2021/22 and 2022/23 accounts, audited by the Council's former external auditor, Ernst & Young, and the 2023/24 and 2024/25 accounts, audited by the Council's current external auditor, Azets. This position arose as part of the national programme to address significant delays in the external audit of local authority accounts.

All four sets of accounts received disclaimed audit opinions, issued solely because there was insufficient time for the auditors to complete a full audit in line with the statutory backstop arrangements introduced by Government. The disclaimers were not the result of identified errors or weaknesses in the Council's accounting records or financial management.

As part of the audits of the 2021/22 and 2022/23 accounts, Ernst & Young issued three statutory recommendations, which were reported to full Council in May 2025. These recommendations related to strengthening aspects of the Council's financial resilience, capacity and governance arrangements. Since the recommendations were issued, the Committee has received updates during the

year on progress in implementing these statutory recommendations, alongside related recommendations arising from external audit work and the Finance Peer Review.

The Committee has provided ongoing oversight and challenge in relation to delivery of the agreed actions and will continue to monitor progress, with further update reports scheduled during 2026/27.

The Committee welcomed the significant progress made during the year in restoring timely financial reporting. In particular, the 2024/25 Statement of Accounts was published on time and received audit sign-off within the Government-prescribed timescales, marking an important milestone in returning to normal audit arrangements. It is anticipated that future years will see a return to the approval of a single set of accounts each year.

The Committee has also received and noted a recovery timetable from the Council's external auditor, setting out how audit assurance will be rebuilt over the coming years. This includes planned work to re-establish full audit coverage of key balances and transactions, with the intention of returning to an unqualified audit opinion by the 2027/28 accounts, subject to national audit arrangements and progress against the agreed programme.

The Committee will continue to monitor progress closely and provide appropriate challenge and oversight to support the restoration of timely, high-quality audited accounts.

Internal Audit and Anti-Fraud activities

The Committee oversees the Council's Internal Audit and Anti-Fraud arrangements, monitoring delivery of both plans, through progress reports during the year. During 2025/26, the Committee considered the Internal Auditor's Annual Opinion, which provided Satisfactory Assurance on the Council's control environment, received updates where Limited Assurance opinions were issued, and reviewed and endorsed the Internal Audit and Anti-Fraud Plans for 2026/27.

Risk Management

The Committee receives quarterly reports on the Corporate Risk Register, providing oversight of the Council's most significant risks and the effectiveness of mitigations. During the year, the Committee approved an updated Risk Management Strategy, strengthened the Council's approach to risks associated with Local Government Reorganisation (LGR), and considered the outcomes of an internal audit review of risk management, including the introduction of training for Members and officers. The Committee considers these reports ahead of their submission to the Executive, providing challenge and oversight before they are formally noted and approved.

Budget Monitoring

The Committee receives quarterly budget monitoring reports to review the Council's financial performance during the year. This provides Members with assurance on forecast outturn positions, emerging financial pressures, and the effectiveness of financial management and controls. The Committee considers these reports ahead of their submission to the Executive, providing challenge and oversight before they are formally noted and approved.

Governance

The Committee provides oversight of a range of governance-related assurance activities and receives a series of annual reports covering leisure services, BEAM, data protection, procurement, and Assets of Community Value. The Committee also provides scrutiny of the Treasury Management arrangements, considering three reports during the year prior to their submission to Council for formal approval.

Committee Effectiveness

The Chartered Institute of Public Finance and Accountancy (CIPFA) states that it is best practice for the Committee to regularly review its performance and effectiveness.

During 2026/27, the Council will seek additional assurance on the effectiveness of the Audit and Governance Committee through an internal audit review. In addition, the Committee will undertake the CIPFA self-assessment for audit committees, providing a structured review of how effectively the Committee is operating and identifying opportunities for further improvement.

Training and Development

Continual professional development is key to the effective operation of the Committee. An effective Committee is supported by well-informed Members who are able to provide assurance to Council that appropriate arrangements are in place and that the Council's financial stewardship, governance and risk management frameworks can be relied upon.

During 2025/26, training was provided to Committee Members around Anti-Fraud awareness (from the Shared Anti-Fraud Service), the role of internal audit and the Global Internal Audit Standards (by the Shared Internal Audit Service) and Treasury Management (by the Council's external Treasury Advisors). Training

sessions were aligned to items on the Committee's work programme and were designed to strengthen Members' ability to provide effective scrutiny and challenge. Further training is planned for 2026/27, with Risk Management (by external Trainer) currently planned for June 2026 and further training being considered to ensure Members continue to have the skills and knowledge required to discharge their responsibilities effectively.

8.1 Audit and Governance Committee – Terms of Reference

8.1.1 The Audit and Governance Committee will have the specific role of monitoring the Budget, approving the council's Statement of Accounts and acting as the council's audit committee. The Committee also carries out the treasury management functions.

8.1.2 The number and arrangements for this Committee are as follows:

- (a) the Committee will consist of a maximum of seven Members of the Council;
- (b) two Independent non-voting Members;
- (c) the Committee may appoint Sub-Committees;
- (d) no Member of the Executive may be a Member of the Committee;
- (e) Substitute Members to the committee shall be appointed by the Council in accordance with the wishes of the political group to whom the seats have been allocated.

8.1.3 Meetings of the Committee shall be programmed in each year. There will normally be between four and six meetings annually. In addition, Extraordinary Meetings may be called from time to time as and when appropriate. A Committee meeting may be called by the Chair, by any four Members of the Committee or by the Monitoring Officer if they consider it necessary or appropriate.

8.1.4 Quorum for the Committee shall be three Members.

8.1.5 Appointment of Chair and Vice Chair The Chair of the Audit and Governance Committee will be appointed by the Council at its annual meeting. The Vice-Chair will be appointed by the Committee at its first meeting of the Civic Year.

8.1.6 Subject to 8.1.5 above, the Chair and Vice-Chair will hold office during that Civic Year until, in each case:

- (a) they resign from the office of Chair or Vice-Chair;
- (b) they are no longer a Councillor; or
- (c) they are removed by a resolution of the Council.

8.1.7 Upon the occurrence of a vacancy in the office of Chair, the Council shall appoint a Chair at its next meeting. In the case of a vacancy in the office of Vice Chair, the Committee shall fill the vacancy at its next meeting.

8.1.8 Terms of Reference - The Audit and Governance Committee has the following functions:

- (a) assist the Council and the Executive in the development of the annual Budget;
- (b) approving the Council's statement of accounts;
- (c) consider the effectiveness of the council's risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements;
- (d) seek assurances that action is being taken on risk-related issues identified by auditors and inspectors;
- (e) be satisfied that the council's assurance statements, including reviewing the Annual Governance Statement against the good governance framework, properly reflect the risk environment and any actions required to improve it;
- (f) approve internal audit's strategy, its plan and monitor its performance;
- (g) approve the shared anti-fraud service strategy, its plan and monitor its performance;
- (h) review summary internal audit reports and the main issues arising and seek assurance that action has been taken where necessary;
- (i) consider the annual report of the head of internal audit;
- (j) consider the reports of external audit (including the annual audit letter) and inspection agencies, and monitor management action in response to the issues raised;
- (k) ensure that there are effective relationships between external and internal audit, inspection agencies and other relevant bodies and that the value of the audit process is actively promote;
- (l) review the financial statements, external auditor's opinion and reports to Members, and monitor management action in response to the issues raised by external audit; and
- (m) have oversight of the council's commercial projects

8.1.9 Audit function As an integral part of its role as the council's audit committee, undertake the following areas:

- (a) consider budget monitoring reports and risk management reports;
- (b) lead the cross Member scrutiny and consideration of the council's draft annual budget and medium term finance strategy;
- (c) scrutinise the council's Annual Investment Strategy, Annual Capital Strategy, Mid-Year Treasury Management Report and Annual Treasury Management Report and through review gain assurance that systems of governance and control for Treasury Management are effective;

- (d) where appropriate, assisting the Council and the Executive in the development of its budget and policy framework by in-depth analysis of financial, procurement and governance related policy issues;
- (e) review anti-fraud and corruption controls and arrangements, including the whistleblowing process.

Key reports considered by the Committee during 2025/26

Financial Statements and Accounts

- External auditors completion report for 2021/22 & 2022/23
- Annual Governance Statement 2021/22 and 2022/23
- Annual Governance Statement 2023/24
- Provisional Outturn 2023/24 and Statement of Accounts
- Accounting Policies 2024/25
- External auditors completion report 2023/24
- External Auditors Audit Plan 2024/25
- Provisional outturn 2024/25 and Statement of Accounts
- Annual Governance Statement 2024/25
- External Audit Annual Report 2024/25
- External Auditors Completion Report 2024/25
- Accounting Policies 2025/26

Governance

- Data Protection Update
- Strategic risk register - (4 update reports)
- Strategic Risk Strategy 2025/26
- Social Value Policy 2025-2030
- Annual Leisure Contract Performance Report
- Annual Procurement Report 2025
- Asset of Community Value Report 2025
- Treasury Management - (Annual, Mid-year & Outturn reports)
- Budget monitoring - (4 update reports)
- S106 report and Infrastructure Funding Statement 2024/25
- BEAM Trading Update
- MTFP 2026-2031
- Update on Statutory Recommendations from External Auditors and Finance Peer Review

Internal Audit and Anti-Fraud Services

- Annual Assurance Statement and Internal Audit Report 2024/25
- Internal Audit Plan Report 2025/26
- Anti-Fraud Service Report 2024/25
- Anti-Fraud Service Progress Reports 2025/26
- Internal Audit Progress Reports 2025/26
- Anti-Fraud Plan 2026/27
- Internal Audit Plan 2026/27