

# Annual Governance Statement 2025/26



## 1. Scope of Responsibility

East Herts Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. East Herts Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, East Herts Council is responsible for ensuring arrangements are in place for the good governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

East Herts Council has approved and adopted a Code of Corporate Governance which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government 2016.

This statement explains how East Herts Council has complied with the Code and also meets the requirements of Regulation 6 of the Accounts and Audit (England) Regulations 2015 in relation to the publication of a statement on internal control.

## 2. The Purpose of the Governance Framework

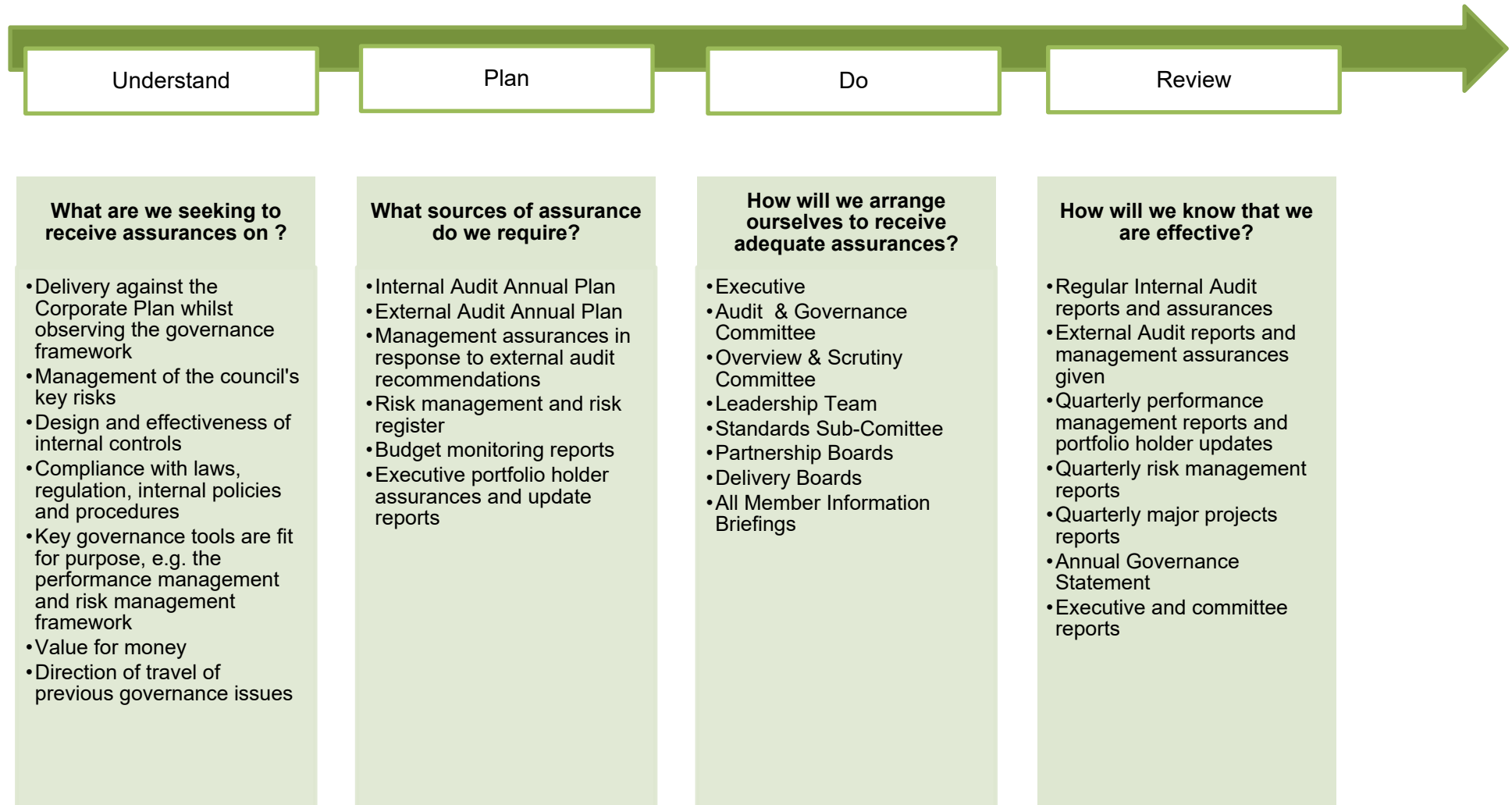
The governance framework comprises the cultures, values and systems and processes by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate cost-effective services and value for money. The overall aim is to ensure that:

- resources are directed in accordance with agreed policy and according to priorities.
- there is sound and inclusive decision making; and
- there is clear accountability for the use of those resources to achieve desired outcomes for service users and communities.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable assessment/assurances of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of East Herts Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at East Herts Council for the year ended 31 March 2026 and up to the date of approval of the statement of accounts.

### 3. Assurance Cycle



## 4. The Governance Framework

**Achieving the Intended Outcomes  
While Acting in the Public Interest at all Times**



Source: CIPFA/SOLACE Core Principles of Governance 2016

Good Governance Principle	East Herts Council's Compliance & Supporting Evidence
<p><b>Principle A.</b>  <b>Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.</b></p> <p>Local government organisations are accountable not only for how much they spend, but also for how they use the resources under their stewardship. This includes accountability for outputs, both positive and negative, and for the outcomes they have achieved. In addition, they have an overarching responsibility to serve the public interest in adhering to the requirements of legislation and government policies. It is essential that, as a whole, they can demonstrate the appropriateness of all their actions and have mechanisms in place to encourage and enforce adherence to ethical values and to respect the rule of law.</p>	<p><b><u>Behaving with integrity</u></b></p> <ul style="list-style-type: none"> <li>• Members sign a commitment to comply with the Code and undergo induction on expected behaviour standards. Performance appraisals and related party transaction declarations are conducted, and action is taken on Local Government Ombudsman (LGO) complaints.</li> <li>• The Corporate Plan, approved by the Council, sets the operating direction and organisational values and are cascaded into Service Plans and reflected in individual appraisal goals.</li> <li>• Members are trained on the code of conduct requirements, and declarations are made and recorded at meetings, which are conducted according to values.</li> <li>• The Standards Sub-Committee delivers training sessions and promotes good conduct. Elected Members must be trained before serving on Planning and/or Licensing Committees. Effective anti-fraud and anti-corruption policies are in place, and up-to-date registers of interests, gifts, and hospitality for Members and staff are maintained, with annual completion of Related Party Transactions.</li> </ul> <p><b><u>Demonstrating Strong Commitment to Ethical Values</u></b></p> <ul style="list-style-type: none"> <li>• Whistleblowing policies protect individuals, and a complaints policy is reported annually to the Executive. Policies are managed through a corporate performance management system for timely review, communication, training, and are published online for transparency.</li> <li>• The code of conduct requires interest declarations, with meeting minutes showing declarations and legal implications identified in reports. Good ethical governance is championed by Members, particularly through the Executive, the Standards Sub-Committee, the Monitoring Officer, and the Leadership Team. The Audit &amp; Governance Committee oversees and promotes good governance, with clear mechanisms for reporting or referral to the Monitoring Officer. Ethical awareness training, including thorough Code of Conduct training, is provided. The procurement policy includes good governance and ethical conduct, with a requirement to declare conflicts of interest and robust processes ensuring transparency, fairness, and equal treatment.</li> </ul> <p><b><u>Respecting the Rule of Law</u></b></p>

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	<ul style="list-style-type: none"> <li>• Partnership Guidelines and reviews are in place, and the Procurement Strategy shows a commitment to local businesses and SMEs. The Council adheres to Bribery and Anti-Corruption policies, ensuring confidentiality of information, with data protection requirements built into contract specifications. The Constitution and statutory guidance are followed, assessed through internal and external audit, overseen by the Audit &amp; Governance Committee. Legal implications are identified in all Executive and committee reports, and job descriptions comply with CIPFA's Statement on the Role of the Chief Financial Officer in Local Government (CIPFA, 2016). The CFO reports directly to the Chief Executive, attends Leadership Team meetings, and influences material decisions through advice on corporate reports, budget monitoring, and financial strategy. The CFO is supported by a team ensuring sound financial governance.</li> <li>• Executive reports document legal advice and implications, and the general power of competence is used where appropriate. The Monitoring Officer leads on ethical governance and compliance with the law, with the decision-making process incorporating this. The legal team provides in-house advice, and statutory teams operate effectively. Anti-fraud and anti-corruption policies are regularly updated and incorporated into contracts. An assurance mapping exercise by Internal Audit improves detection likelihood. The grievance and disciplinary code for officers is in place, with the Monitoring Officer at a senior level. The Standards Sub-Committee is experienced, and a 360 appraisal of managers adds an additional layer of challenge, with an annual appraisal review assessing competencies and behaviours.</li> </ul>
<p><b>Principle B</b>  <b>Ensuring openness and comprehensive stakeholder engagement</b>  Local government is run for the public good; organisations therefore should ensure openness in their</p>	<p><b><u>Transparency and Accessibility</u></b></p> <ul style="list-style-type: none"> <li>• Quarterly performance reports against the Corporate Plan.</li> <li>• The Freedom of Information publication scheme and the Information Governance Team's input on FOI requests ensure that exemptions are not unreasonably applied, promoting transparency.</li> </ul>

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<p>activities. Clear, trusted channels of communication and consultation should be used to engage effectively with all groups of stakeholders, such as individual citizens and service users, as well as institutional stakeholders</p>	<ul style="list-style-type: none"> <li>• Data Protection Information Charter and compliance with the General Data Protection Regulation 2016 and Data Protection Act 2018 ensure transparent and secure data handling.</li> <li>• Transparency web pages and the website publishing clear and accessible information make it easy for the public to access important information.</li> <li>• The Annual Public inspection and publication of the Statement of Accounts online.</li> <li>• Webcasting of all Committee meetings , along with meetings are open to the public to attend, and record of decision making and supporting materials ensures that all decisions are documented and accessible.</li> <li>• Forward Plan promotes community interest in democracy by publishing the report schedule, as well as calendar of dates for submitting, publishing, and distributing timely reports ensures that information is shared openly and promptly.</li> <li>• Monitoring reports on the effectiveness of communications output, including social media usage, ensure transparency in how the council communicates with the public.</li> </ul> <p><b><u>Comprehensive Stakeholder Engagement</u></b></p> <ul style="list-style-type: none"> <li>• Stakeholder engagement is achieved through public consultations on new policies, development applications, and annual budgets.</li> <li>• The Listening Council Strategy ensures residents' and stakeholders' views are considered during decision-making. Specific consultations with underrepresented groups and Community Engagement Strategies for projects like Harlow and Gilston Garden Town ensure inclusive participation. The Listening Strategy has a specific focus on face-to-face engagement and dialogue with communities and this has been actively pursued for the Parking Strategy (face to face meetings in 6 towns across the district), Old River Lane (several town centre meetings and drop-in sessions for residents) as well as for Development Forums on strategic sites.</li> <li>• Regular meetings with government advisors on issues like homelessness and online databases of residents who register to be kept informed about planning policy ensure ongoing engagement.</li> </ul>

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	<ul style="list-style-type: none"> <li>The Council also recently completed an external assessment against Customer Service Excellence accreditation criteria. This was positive overall with full compliance in 46 of 57 key lines of enquiry, and partial in the remaining 11. Work is planned over 2026/27 in order to achieve full accreditation.</li> </ul>
<p><b>Principle C</b>  <b>Defining outcomes in terms of sustainable economic, social, and environmental benefits.</b></p> <p>The long-term nature and impact of many of local government's responsibilities mean that it should define and plan outcomes and that these should be sustainable. Decisions should further the authority's purpose, contribute to intended benefits and outcomes, and remain within the limits of authority and resources. Input from all groups of stakeholders, including citizens, service users, and institutional stakeholders, is vital to the success of this process and in balancing competing demands when determining priorities for the finite resources available.</p>	<ul style="list-style-type: none"> <li>The Council District Plan was adopted in 2018 and sets out the framework to deliver a sustainable development. The plan will aim to provide new homes, new jobs, new facilities and infrastructure across the district.</li> <li>The Council Corporate Plan "LEAF" was approved February 2024 and is available online setting out the Council's four key themes: <ul style="list-style-type: none"> <li>Listening, open and transparent</li> <li>Environmentally focussed</li> <li>Acting with the community</li> <li>Fair and inclusive</li> </ul> </li> <li>Progress against performance indicators is tracked monthly by the Council's Leadership Team and an annual report summarises the Council's achievements over the past year against the LEAF priorities.</li> <li>A Medium-Term Financial Plan (MTFP) is the Council's key General Fund financial planning document and sets out the Council's strategic approach to the management of the General Fund including Council Tax levels, capital funding and treasury management. This strategy underpins the Council's key priorities for East Herts. The main aim is to facilitate the Council in achieving the outcomes by setting out MTFS principles, which generates the need for financial security targets, identifies financial pressures and any additional resources for priorities to ensure it has a financial sustainability plan.</li> </ul>

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	<ul style="list-style-type: none"> <li>• The Council has a five-year Capital Programme to show how the Council determines its priorities for capital investment. All capital schemes are regularly reviewed.</li> <li>• Service plans, quarterly budget and performance monitoring reports, and risk management practices, including training and assessments, ensure effective operations.</li> <li>• External Audit reports provide assurance on resource use, while Executive reports address competing community demands. Information on how Council Tax is spent is issued annually with tax bills.</li> <li>• The Council has a Treasury management strategy, and an Asset Management Plan to support its financial and asset management. Reports on decision-making, mandatory training for committees, and a consultation and community engagement diary ensure informed and inclusive governance.</li> <li>• The Communications Strategy and customer service strategy, along with a 24/7 website offering online services and specific reception times in Hertford and Bishop's Stortford, enhance accessibility and transparency. Clear policies explain the Council's processes and what customers can expect, further promoting openness and accountability.</li> </ul>
<p><b>Principle D</b>  <b>Determining the interventions necessary to optimise the achievement of the intended outcomes.</b>  Local government achieves its intended outcomes by providing a mixture of legal, regulatory, and practical interventions. Determining</p>	<p><b><u>Determining interventions</u></b></p> <ul style="list-style-type: none"> <li>• Decision makers receive objective and rigorous analysis of a variety of options, including risks, to ensure best value in service provision. This includes options appraisals within key decision reports, consideration of legal, financial, and HR implications, and individual risk assessments on larger projects.</li> <li>• All Executive reports are available for consideration at Overview &amp; Scrutiny and Audit &amp; Governance Committee.</li> <li>• Feedback from citizens and service users is considered when making decisions about service improvements or discontinuations, prioritizing competing demands within</li> </ul>

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<p>the right mix of these courses of action is a critically important strategic choice that local government has to make to ensure intended outcomes are achieved. They need robust decision making mechanisms to ensure that their defined outcomes can be achieved in a way that provides the best trade-off between the various types of resource inputs while still enabling effective and efficient operations.</p>	<p>limited resources, including people, skills, land, and assets, while bearing in mind future impacts.</p> <ul style="list-style-type: none"> <li>• Consultation outcomes are incorporated within key Executive and Council reports, with specific consultations being part of the annual budgeting process.</li> <li>• A complaints process is in place to gather and address feedback.</li> </ul> <p><b><u>Planning interventions</u></b></p> <ul style="list-style-type: none"> <li>• The Council establishes and implements robust planning and control cycles, including a calendar of meetings, annual work programmes for Audit &amp; Governance and Overview &amp; Scrutiny Committees, and an Executive Forward Plan.</li> <li>• An internal audit programme is delivered by the Shared Internal Audit Service, with findings reported to the Audit &amp; Governance Committee and Leadership Team.</li> <li>• The Council engages with internal and external stakeholders through a communication strategy and initiatives like East Herts Together.</li> <li>• Risks are considered and monitored collaboratively, with risk management reports, Executive report risk identification, and specific project risk registers.</li> <li>• Arrangements are flexible and agile, with report cycles allowing adaptation to changing priorities.</li> <li>• Key performance indicators (KPIs) are established for the Corporate Plan and service plans, with regular financial performance measurement through quarterly budget meetings and reports.</li> <li>• The Council ensures capacity for regular service quality reviews, supported by an online performance management system, quarterly performance reports, and online access to performance data for members.</li> <li>• Budgets are prepared in alignment with organisational objectives, strategies, and the Medium Term Financial Plan, with regular budget monitoring and reporting.</li> </ul>

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	<ul style="list-style-type: none"> <li>• Medium and long-term resource planning is informed by realistic revenue and capital expenditure estimates, supported by the Medium Term Financial Plan and Capital Strategy reports to the Executive and Audit &amp; Governance Committee.</li> </ul> <p><b><u>Optimising achievement of intended outcomes</u></b></p> <ul style="list-style-type: none"> <li>• Ensuring the Medium Term Financial Plan integrates and balances service priorities, affordability, and other resource constraints, with annual budget consultation and Audit and Governance Committee Reports.</li> <li>• Ensuring the budgeting process is all-inclusive, taking into account the full cost of operations over the medium and longer term, through a full and detailed budgeting exercise, both capital and revenue, and Internal and External Audit review.</li> <li>• Ensuring the Medium Term Financial Plan sets the context for ongoing decisions on significant delivery issues or responses to changes in the external environment during the budgetary period to achieve outcomes while optimizing resource usage. This includes identifying a plan for savings, moving the financial system to the cloud, further budget reductions from additional income following the Fees and Charges Policy and the Commercial Strategy, assurance from external auditor reports, monthly tracking of savings and budgets, and quarterly budget reporting to elected members.</li> <li>• Ensuring the achievement of 'social value' through service planning and commissioning, as stated in the Public Services (Social Value) Act 2012. This involves identifying social value in the procurement strategy (revised in 2025), assessing social value as part of the award process under procurement, and setting Social Value Policy and Priority Themes, Outputs, and Measures.</li> </ul>
<p><b>Principle E</b>  <b>Developing the entity's capacity, including the capability of its</b></p>	<p><b><u>Developing the entity's capacity</u></b></p> <ul style="list-style-type: none"> <li>• Reviewing operations and performance use of assets regularly to ensure their continuing effectiveness, including the Assets Strategy, Asset Management Group monthly reviews, and the Commercial Strategy.</li> </ul>

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<p><b>leadership and the individuals within it</b></p> <p>Local government needs appropriate structures and leadership, as well as people with the right skills, appropriate qualifications and mind-set, to operate efficiently and effectively and achieve their intended outcomes within the specified periods. A local government organisation must ensure that it has both the capacity to fulfil its own mandate and to make certain that there are policies in place to guarantee that its management has the operational capacity for the organisation as a whole. Because both individuals and the environment in which an authority operates will change over time, there will be a continuous need to develop its capacity as well as the skills and experience of the leadership of individual staff members. Leadership in local government entities is strengthened by the participation of people with many different types of backgrounds, reflecting the structure and diversity of communities.</p>	<ul style="list-style-type: none"> <li>• Improving resource use through techniques such as benchmarking, LGA Peer Review on services, External Audit Use of Resources Statement, and local benchmarking exercises at the service level.</li> <li>• Recognising the benefits of partnerships and collaborative working, with a significant commitment to partnership working and joint working/shared services.</li> <li>• Developing and maintaining an effective workforce plan to enhance the strategic allocation of resources, including the review of the workforce development plan and strategy, and a commitment to apprenticeships.</li> </ul> <p><b><u>Developing the capability of the entity's leadership and other individuals</u></b></p> <ul style="list-style-type: none"> <li>• The Council ensures that elected and appointed leaders negotiate their roles early and maintain a shared understanding of roles and objectives. This is supported by job descriptions for lead Members and Officers in the Constitution, a shared understanding between the Leader and Chief Executive (CE), and an Officer Member protocol.</li> <li>• The Council specifies the types of decisions that are delegated and those reserved for collective decision-making. This includes the Constitution, Scheme of Delegation, Financial Procedure Rules, and individual reports for major projects to ensure transparency, especially for new projects.</li> <li>• The Council clearly defines and distinguishes the leadership roles of the Leader and CE. The CE leads strategy implementation and service delivery, supported by a job description for the CE and a role profile for the Leader in the Constitution.</li> <li>• The Council ensures access to appropriate induction tailored to roles for Members and staff, provides ongoing training and development matching individual and organisational requirements, facilitates regular meetings between the Executive and Leadership Team, offers Senior Leadership Training &amp; Development, conducts annual staff appraisals and an annual training programme for Members, commits to apprenticeships and supports professional qualifications, provides bespoke training at committees and community leadership discussions led by the Portfolio Holder, supports Members through Democratic Services and offers a Member training</li> </ul>

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	<p>programme, offers officer training including professional training, continuing professional development, and management and leadership training, and reviews internal audit reports on governance and workforce monitoring reports to the Executive.</p> <ul style="list-style-type: none"> <li>• The Council implements the Listening Council Strategy, conducts residents' satisfaction surveys and regular user satisfaction surveys, and maintains a Statement of Community Involvement (SCI) for consultation during planning policy development and review.</li> <li>• The Council is open to constructive feedback from peer reviews and inspections, publishes member attendance records and an annual training plan, and participates in appropriate Peer Reviews.</li> <li>• The Council conducts regular performance reviews, annual performance appraisals, and probationary appraisals, develops a staff development plan within the appraisal process, implements a capability procedure and a sickness procedure, and holds routine Service Team Meetings and 1:1 Meetings.</li> <li>• The Council enforces Conditions of Service and Health and Safety policies, provides an Employee Assistance Programme with a Confidential Helpline, offers support through Mental Health First Aiders and a Workplace Health Scheme Monthly Programme, and implements council policies supporting employees, such as bereavement.</li> </ul>
<p><b>Principle F</b>  <b>Managing risks and performance through robust internal control and strong public financial management</b>  Local government needs to ensure that the organisations and governance structures that it oversees have implemented, and can sustain, an effective</p>	<p><b><u>Managing risk</u></b></p> <ul style="list-style-type: none"> <li>• The Council recognises that risk management is an integral part of all activities and must be considered in all aspects of decision making. Risk management is specifically reported to the Executive and Audit and Governance Committee on a quarterly basis.</li> <li>• The Council conducts risk assessments on larger projects to identify and mitigate potential risks.</li> <li>• The Council implements robust and integrated risk management arrangements and ensures they are working effectively. This includes having a risk management strategy</li> </ul>

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<p>performance management system that facilitates effective and efficient delivery of planned services. Risk management and internal control are important and integral parts of a performance management system and crucial to the achievement of outcomes. Risk should be considered and addressed as part of all decision-making activities. A strong system of financial management is essential for the implementation of policies and the achievement of intended outcomes, as it will enforce financial discipline, strategic allocation of resources, efficient service delivery, and accountability. It is also essential that a culture and structure for scrutiny is in place as a key part of accountable decision-making, policy making and review. A positive working culture that accepts, promotes and encourages constructive challenge is critical to successful scrutiny and successful delivery. Importantly, this culture does not happen automatically, it requires repeated public commitment from those in authority.</p>	<p>and policy, an annual internal audit plan, and incorporating risk management within individual project plans, such as those for elections.</p> <ul style="list-style-type: none"> <li>• The Council has an Emergency Plan and Business Continuity Plan in place, with regular reviews of risks specific to emergencies, such as the Covid-19 pandemic. Regular exercises are conducted to test the Emergency Plan, Business Continuity Plan, Disaster Recovery, and Cyber Security.</li> <li>• The Council ensures that responsibilities for managing individual risks are clearly allocated. Risks are assigned to responsible owners, and there are named officers for key areas such as Health and Safety, Data Protection, Emergency Planning, and Business Continuity.</li> </ul> <p><b><u>Managing performance</u></b></p> <ul style="list-style-type: none"> <li>• The Council monitors service delivery effectively, including planning, specification, execution, and independent post-implementation review. This is supported by departmental service plans which are reviewed regularly, senior leadership ownership of specific Corporate Plan outcomes, performance monitoring, benchmarking, and transparency pages on the website.</li> <li>• The Council makes decisions based on relevant, clear objective analysis and advice, pointing out the implications and risks inherent in the organisation's financial, social, and environmental position and outlook. This is facilitated by a report template to the Executive and Committees that includes specific sections for analysis, options, risk, finance, and other relevant considerations. Agendas are published at least 5 days in advance, and decision notices and minutes are published after meetings.</li> <li>• The Council ensures an effective scrutiny or oversight function is in place, which encourages constructive challenge and debate on policies and objectives before, during, and after decisions are made. This enhances the organisation's performance and that of any organisation for which it is responsible. The Constitution defines the roles and responsibilities of the Overview &amp; Scrutiny Committee and Audit and Governance Committee, with annual work programmes for those committees and regular training sessions for committee members pertinent to that committee and the wider business and functions of the council.</li> </ul>

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	<ul style="list-style-type: none"> <li>• The Council provides members and senior management with regular reports on service delivery plans and progress towards outcome achievement. This includes an annual timetable/calendar of meetings, work programmes/forward plans for the Executive and Committees, senior leadership ownership of specific Corporate Plan outcomes, and an annual Budget and Tax Setting report to the Executive.</li> <li>• The Council ensures consistency between specification stages (such as budgets) and post-implementation reporting (e.g., financial statements). This is supported by Financial Procedure Rules, annual accounts and Statement of Accounts, and external auditor reports.</li> </ul> <p><b><u>Robust internal control</u></b></p> <ul style="list-style-type: none"> <li>• Aligning the risk management strategy and policies on internal control with achieving the objectives, supported by an Internal Audit Plan and regular reports from Internal Audit to the Audit and Governance Committee.</li> <li>• Evaluating and monitoring the authority's risk management and internal control on a regular basis through quarterly risk management reports, risk management training for Members and officers, Internal Audit Review of Effectiveness, Annual Governance Statement, and External Audit Annual Report.</li> <li>• Ensuring effective counter fraud and anti-corruption arrangements are in place, including an anti-fraud and anti-corruption policy, whistleblowing policy, Shared Anti-Fraud Service, acquisition and use of specialist data analysis software to detect fraud and corruption, regular reports to the Audit and Governance Committee on counter fraud activity, and Shared Anti-Fraud Service fraud risk evaluation of all business grants applied for as a consequence of Covid-19.</li> </ul> <p><b><u>Strong public financial management</u></b></p> <ul style="list-style-type: none"> <li>• Ensuring financial management supports both long-term achievement of outcomes and short-term financial and operational performance, with clear links between the Corporate Plan, Medium Term Financial Plan, and subsequent reporting on outcomes.</li> </ul>

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	<ul style="list-style-type: none"> <li>• Implementing an Asset Management Strategy.</li> <li>• Ensuring well-developed financial management is integrated at all levels of planning and control, including management of financial risks and controls, with an embedded financial management process covering the process from beginning to end.</li> <li>• Reviewing the financial management process through External Audit.</li> </ul>
<p><b>Principle G</b>  <b>Implementing good practices in transparency, reporting, and audit to deliver effective accountability.</b>  Accountability is about ensuring that those making decisions and delivering services are answerable for them. Effective accountability is concerned not only with reporting on actions completed, but also ensuring that stakeholders are able to understand and respond as the organisation plans and carries out its activities in a transparent manner. Both external and internal audit contribute to effective accountability.</p>	<p><b><u>Implementing good practice in transparency</u></b></p> <ul style="list-style-type: none"> <li>• The Council uses a consistent, accessible reporting style with supporting evidence providing more detail for those who require it. Web pages give key information and the ability to drill down to specific documents and background papers for those requiring detail.</li> <li>• The Council produces an annual performance report.</li> <li>• The Council provides regular internal audit reports to the Audit and Governance Committee.</li> </ul> <p><b><u>Implementing good practices in reporting</u></b></p> <ul style="list-style-type: none"> <li>• The Council produces an annual performance report that supplements quarterly performance and budget reports, receives annual reports from the External Auditor, obtains a value for money opinion, and prepares a Statement of Accounts. Internal audit reports also comment on value for money implications where applicable.</li> <li>• The Council ensures that Members and senior management own the results by having clearly defined roles for the Executive portfolio holder, Audit and Governance Committee, and Overview and Scrutiny Committee. Portfolio holders present reports at Executive meetings and have regular briefings with officers.</li> <li>• The Council prepares an Annual Governance Statement. The Council also ensures that the Framework is applied to jointly managed or shared service organisations as appropriate, supported by shared service legal agreements.</li> <li>• The Council ensures that performance information accompanying the financial statements is prepared on a consistent and timely basis, allowing for comparison with other similar organisations. This is supported by benchmarking and reported annually</li> </ul>

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	<p>to the Executive and Overview &amp; Scrutiny Committee, including end-of-year performance.</p> <p><b><u>Assurance and effective accountability</u></b></p> <ul style="list-style-type: none"> <li>• The Council incorporates management comments and responses as part of the reports from both Internal and External Audit. This includes the Annual Opinion on the Control Environment report from Internal Audit, compliance with CIPFA's Statement on the Role of the Head of Internal Audit (2019), and compliance with Public Sector Internal Audit Standards.</li> <li>• The Council conducts an annual review of the effectiveness of internal audit, which is reported to the Audit and Governance Committee. This is complemented by the Annual Governance Statement Action Plan and follow-up, as well as an Executive report on outcomes and recommendations/action plans arising from reviews.</li> <li>• The Council engages in self-challenging activities through entry for various awards and nominations as a finalist. This is part of the broader effort to maintain transparency and accountability, which also includes the preparation of an Annual Governance Statement, risk management reports, and performance reports.</li> <li>• The Council specifies the requirement for performance information to management in contract specifications. This ensures that performance is monitored and reported effectively, with proportionate governance arrangements in place for partnership working and Service Level Agreements for some community grants to ensure that outcomes are measurable and delivered.</li> </ul>

## 5. Review of Effectiveness

East Herts Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Leadership Team, the Monitoring officer, and the Chief Finance Officer (Director for Finance, Risk and Performance), who have responsibility for the development and maintenance of the governance environment, and also by comments made by the external auditors and other review agencies and inspectorates. The following processes have been applied in maintaining and reviewing the effectiveness of the governance framework:

### Council

Council is responsible for approving the budget and policy framework, which includes the Corporate Plan and the Constitution.

### Executive

Executive has approved the Council's performance management framework. Executive also approves the risk management policy and receives quarterly reports on risk management, and budget monitoring.

### Audit and Governance Committee

This Committee undertakes the core functions of an Audit Committee and approves the annual Internal Audit Plan, receives quarterly monitoring reports updating them on progress against that plan. It also receives the external auditor's annual audit letter, annual governance report, annual plan and grant claim certification report. It reviews the risk management policy and receives quarterly reports on risk management. The Committee has lead oversight responsibility for corporate governance, risk management and other internal control issues. It also leads the cross Member scrutiny and consideration of the budget. The Audit & Governance Committee also reviews the Constitution.

### Standards Sub-Committee

This Sub-Committee undertakes a proactive role in relation to the promotion of the ethical conduct framework. It has also published documents to inform the public about its role, the importance of good ethical conduct in the area, and the high standards of conduct evident in the District. A new framework for dealing with ethical governance has been adopted by the county and the district and borough councils in Hertfordshire in order to maintain a level of consistency across the geographical area, particularly in relation to twin-hatted Members. The Standards Sub-Committee has put in place arrangements for dealing with complaints, conduct investigations and hearing allegations.

### Overview & Scrutiny Committee

The Overview & Scrutiny Committee reviews performance across all services delivered by the Council and partner organisations, and the impact they have on the District and its communities.

### **Chief Finance Officer (Director for Finance, Risk and Performance)**

The Chief Finance Officer (CFO) has been designated as the s151 Officer. That officer maintains the statutory powers to report to Executive or Council on any proposals, decision or omission that gives rise to any unlawful expenditure. The CFO also has clearly defined responsibilities for Risk Management, Internal Control, and systems and processes for financial administration and control, which are set out in the Financial Procedure Rules.

### **Monitoring Officer**

The Director for Legal Policy and Governance has been designated as the Monitoring Officer. The Monitoring Officer has the specific duty, contained within Section 5 of the Local Government and Housing Act 1989, to ensure that the Council, its officers, and its Elected Councillors, maintain the highest standards of conduct in all they do. The role of the Monitoring Officer is:

- To report on matters he/she believes are, or are likely to be, illegal or amount to maladministration;
- To be responsible for matters relating to the conduct of Councillors and officers; and
- To be responsible for monitoring and reviewing the operation of the Constitution, to ensure that the aims and principles of our Constitution are given full effect.

With effect from 2026/27, the Monitoring Officer function will be assumed by the Director for Communities following the departure of the Director for Legal, Policy and Governance, ensuring continuity of statutory oversight and governance arrangements.

## Internal Audit

The internal control system comprises the whole network of systems established within the Council to provide reasonable assurance that corporate objectives will be achieved, with particular reference to:

- The effectiveness of operations
- The economic and efficient use of resources
- Compliance with applicable policies, procedures, laws and regulations
- The safeguarding of assets and interests from losses of all kinds, including those arising from fraud, irregularity and corruption
- The integrity and reliability of information, accounts and data
- Effective monitoring systems and optimum use of performance management information

## 6. Internal Audit Annual Assurance Statement 2025/26

Extracted from Section 2 of the SIAS 2025/26 Annual Assurance Statement and Internal Audit Annual Report (the full report went to Audit and Governance committee on Tuesday 30<sup>th</sup> June 2026).

## Assurance opinion on internal control

Based on the internal audit work undertaken at the Council in 2025/26, SIAS can provide the following opinion on the adequacy and effectiveness of the Council’s control environment.

Overall Assurance Opinion	Element	Opinion	Definition of Opinion
Reasonable Assurance	Design of Control	Reasonable Assurance	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
	Operation of Control	Reasonable Assurance	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.

The Reasonable assurance opinion overall on the Council’s systems (Reasonable assurance provided in 2024/25) has been concluded from the 23 audits undertaken during 2025/26. In respect of assurance reviews, 9 received a Substantial Assurance opinion, 8 received a Reasonable Assurance opinion and 2 received a Limited Assurance opinion (4 advisory reviews did not include an assurance opinion).

In respect of the two audits receiving Limited assurance (Old River Lane & Homelessness), we concluded that this did not materially impact on our overall opinion as the related audit findings were specific to the individual area subject to audit, as opposed to suggesting wider control issues across the Council as a whole.

## Scope of responsibility

Council managers are responsible for ensuring Council business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently, and effectively. They are also responsible for ensuring internal controls are robust and risk management arrangements are appropriate.

## Control environment

The control environment comprises three key areas: governance, risk management, and internal control. Together these aim to manage risk to an acceptable level, but it is

accepted that it is not possible to eliminate it. A robust control environment helps ensure that the Council's policies, priorities, and objectives are achieved.

### **Review of effectiveness**

The Chief Audit Executive (CAE) must confirm annually that the internal audit function is suitably qualified to carry out the work that informs the assurance opinion. This includes that the CAE maintains and enhance their own qualifications and competences. SIAS can confirm that the service is suitably resourced and qualified to undertake its work, including the qualifications and competences of the CAE.

As part of our Quality Assurance and Improvement Programme (QAIP), an internal quality self-assessment was conducted to review our conformance with the Global Internal Audit Standards (GIAS).

Based on the results of the 2025/26 GIAS self-assessment completed in April 2026, the CAE has concluded that SIAS 'generally conforms' with the GIAS (UK Public Sector).

The self-assessment identified one area of continued agreed non-conformance. This relates to the Boards (Audit Committee) role in the appointment, removal, performance management and remuneration of the CAE, this reflecting the unique nature of a shared service or partnership arrangement. A further seven areas were also highlighted within the self-assessment where, whilst we assessed our current processes followed the principles of the GIAS, improvements could be made to the documentary evidence available to support independent verification of compliance.

The GIAS also requires that the SIAS be subject to an external quality assessment (EQA) at least once every five years. This should be conducted by a qualified, independent assessor or assessment team from outside the organisation. The last review was completed in June 2021, with the result of the assessment reported to the Audit & Governance Committee in October 2021. The next EQA is scheduled for quarter 4 2025/2026.

### **Confirmation of independence of internal audit and assurance on limitations**

The SIAS QAIP includes both internal and external monitoring and reporting to assess the efficiency and effectiveness of internal audit activity and identify opportunities for improvement. The Head of Assurance confirms that during 2025/26 SIAS operated according to its QAIP, with evidence available within the service to support the achievement of each element.

The CAE confirms that during the year:

- a) No matters threatened SIAS's independence; and
- b) SIAS was not subject to any inappropriate scope or resource limitations.

SIAS has concluded that the corporate governance and risk management frameworks substantially comply with the CIPFA/SOLACE best practice guidance. This conclusion is based on the work undertaken by the Council and reported in its Annual Governance Statement for 2025/26 and audits carried out by the SIAS.

A handwritten signature in black ink, consisting of a series of loops and a long horizontal stroke at the end.

**Client Audit Manager**

**May 2026**

## 7. Governance Issues – Key recommendations

The following governance issues, comments and recommendations have been extracted from the External Auditors (Azets) report 'Auditor's Annual Report financial year ending 31 March 2025.

Key improvement areas	Lead Officer	Update from management
<p><b>Finance Function Workflow Review</b> - Conduct a comprehensive review of the finance function workflow to identify bottlenecks in the flow of information and the completion of key finance tasks.</p> <p>Use the findings to redefine roles and responsibilities within the finance team, ensuring an equitable distribution of workload and preventing any single individual from being overburdened.</p>	Director for Finance, Risk & Performance	<b>On-going</b> - Following a review of the team and service, a proposed restructure was presented to Leadership Team and approved on 10 February. Work is now progressing on recruitment to a number of vacant posts. In the interim, agency staff are supporting where necessary to ensure sufficient capacity within the team
<p><b>Quality Assurance Issues</b> - Implement a thorough review of the quality assurance process for draft accounts and underlying workpapers.</p> <p>Establish clear timelines for the closedown process, ensuring appropriate segregation of duties between those preparing and those reviewing the draft accounts and workpapers.</p> <p>Monitor adherence to this process and report performance to the Audit and Governance Committee</p>	Director for Finance, Risk & Performance	<b>On-going</b> – The quality assurance process for the draft 2024/25 accounts has started with recent accounts reviewed by the CFO prior to publications. Timetable for the 2025/26 closedown is in place and further improvements – such as formal review checks and weekly oversight meetings – are being implemented to ensure proper segregation of duties and ongoing monitoring.
<p><b>Finance Team Capacity</b> - The Council should re-assess roles, responsibilities, and resource</p>	Director for Finance, Risk	<b>On-going</b> - Following a review of the team and service, a proposed restructure was presented to Leadership Team and

Key improvement areas	Lead Officer	Update from management
<p>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>&amp; Performance</p>	<p>approved on 10 February. Work is now progressing on recruitment to a number of vacant posts. In the interim, agency staff are supporting where necessary to ensure sufficient capacity within the team.</p> <p>The 2024/25 draft accounts and final audited accounts were completed within the timescales prescribed by Government for the first time in a number of years.</p>
<p><b>Financial Resilience and LGR</b> – Members should ensure all current decisions support the best interest of the future unitary council and residents, and do not undermine the anticipated benefits of savings or unitarization.</p>	<p>Leadership Team &amp; Executive</p>	<p>Members and management are ensuring that decisions taken ahead of LGR are in the best interests of the future unitary authority and local residents. Financial and strategic decisions are being considered in the context of their longer-term impact to avoid undermining the anticipated benefits savings of unitarization.</p>
<p><b>Financial Resilience and LGR</b> – Members should ensure all current decisions support the best interest of the future unitary council and residents, and do not undermine the anticipated benefits of savings or unitarization.</p>	<p>Leadership Team &amp; Executive</p>	<p>The Council MTFP remains focused on maintaining balanced budgets through to the final year of operation. Assumptions are kept under review to ensure the Council transition to the new unitary body with the strongest possible financial position.</p>
<p><b>Financial Resilience and LGR</b> – Members should take any further actions necessary to strengthen financial resilience, so the new unitary body begins operation on a robust and sustainable footing.</p>	<p>Leadership Team &amp; Executive</p>	<p>Management continues to consider whether additional actions can be taken to strengthen financial resilience ahead of transition. This includes opportunities to reduce ongoing pressures, limiting reliance on temporary funding and ensuring known or anticipated transition related costs are appropriately planned for.</p>
<p><b>Financial Resilience and LGR</b> – Members, particularly Audit Committee members, should ensure prudent financial governance by using reserves appropriately, maintaining adequate reserve levels, and setting balanced budgets through to the final year of the Council.</p>	<p>Leadership Team &amp; Executive</p>	<p>Reserves are reviewed regularly to ensure they remain at prudent levels and are used only for their intended purposes. Any use of reserves is subject to appropriate Members approval and transparent reporting.</p>

Key improvement areas	Lead Officer	Update from management
		Balanced budgets continue to be set in line with statutory requirement and the Audit & Governance Committee receives regular updates on the Council's financial position, reserve usage and financial resilience through to the final period of account.
<b>LGR: capacity and skills</b> – The Council should assess whether the Council has the necessary skills and capacity to support LGR, identify any gaps, and take action to mitigate risks during and after the transition.	Leadership Team & Executive	Management recognises that LGR will place additional demands on capacity and skills and may increase the risk of losing key staff and corporate knowledge. Skills and capacity are being reviewed to identify any gaps, with mitigating actions such as training or temporary support considered where required.
<b>Capital programme</b> – The Council should ensure it understands the causes of slippage in the capital programme and takes action to strengthen capital programme management, budgeting and forecasting.	Directors for Finance, Risk & Governance and Communities	<p>Management recognises the importance of minimising slippage in the capital programme. More robust challenge and oversight of capital planning, profiling and delivery is being provided through the officer Asset Management Group.</p> <p>It is also noted that the capital programme is reducing in scale going forward, which should support improved deliverability and more realistic forecasting.</p>

The following recommendations are follow-up of prior recommendations that are included within the External Auditors (Azets) report 'Auditor's Annual Report financial year ending 31 March 2025:

Key improvement areas	Lead Officer	Update from management
<u>Financial resilience risks</u> <b>Reserves</b> - The minimum level of reserves and the current levels of reserves in the context the financial risks currently faced by the Council.	Director for Finance, Risk & Performance	<b>Completed</b> - The CFO, as part of the 2026/27 budget-setting report, carried out a full review of all reserves to assess the levels available and determine whether existing reserves are adequate. The outcome confirmed that the Council has sufficient reserves to accommodate identified risks and is therefore comfortable with the overall level of reserves.

Key improvement areas	Lead Officer	Update from management
<b>Savings Plan</b> - A Robust savings plans are put in place and delivered to ensure spend is contained within the budget and planned savings are delivered on timely basis.	Director for Finance, Risk & Performance	<b>Completed</b> - The latest MTFP, covering up to 2028/29, shows a balanced position and incorporates a number of savings which the CFO considers to be achievable.
<b>Financial management</b> – to mitigates the further use of reserve balances to support the revenue budget in the medium term.	Director for Finance, Risk & Performance	<b>On-going</b> - The 2026/27 budget incorporates several previously identified pressures, easing future reliance on reserves. BEAM remains the key exception, with a contingency in place pending the outcome of the business plan review.
<b>Finance peer review</b> - Actions to address the findings from the Finance Peer Review.	Director for Finance, Risk & Performance	<b>On-going</b> - Update to Audit & Governance in November on the progress of the recommendations that came out of the Finance Peer Review and the Statutory Recommendations made by the previous External Auditors EY.
<b>Minimum revenue provision</b> - A review of its MRP policy and calculation to ensure its fully compliant with statutory requirements and guidance.	Director for Finance, Risk & Performance	<b>Completed</b> - As part of the 2026/27 budget, a review of the Minimum Revenue Provision (MRP) has been completed. The CFO confirms that prudent levels have been set aside, and this review will continue to form part of the annual.
<b>Improving economy, efficiency and effectiveness</b> - The Council is actively looking at asset disposals to reduce borrowing and make MRP savings. Whilst these actions, in isolation, make sense, the Council will now also need to be mindful of the Local Government Reorganisation.	Director for Finance, Risk & Performance and Director of Communities	<b>On-going</b> - The Council will continue to review its assets and to determine the best value for those assets, whether it is to dispose, use or lease out. Each asset will go through a business case to determine the best value for the Council and residents.

## **8. Certification**

To the best of our knowledge, the governance arrangements, as defined above have been effectively operating during the year except for those areas identified in Sections 7. We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for the improvements that were identified during the review of effectiveness and will monitor their implementation and operation as part of our next annual review.

**Cllr Ben Crystal**

**Leader of the Council**

**Date:**

**Helen Standen**

**Chief Executive**

**Date:**