

FINANCE, AUDIT AND RISK COMMITTEE
10 FEBRUARY 2026

*PART 1 – PUBLIC DOCUMENT

TITLE OF REPORT: STATEMENT OF ACCOUNTS 2024/25

REPORT OF: DIRECTOR: RESOURCES

EXECUTIVE MEMBER: NON-EXECUTIVE

COUNCIL PRIORITY: SUSTAINABILITY

1. EXECUTIVE SUMMARY

The Committee have been made aware of the issues with External Audit backlogs in Local Government and the plans to address them. This includes a series of back-stop dates. The first of these was 13 December 2024 for 2022/23 (and earlier) accounts, then 28 February 2025 for 2023/24 accounts, and now 27 February 2026 for 2024/25 accounts.

KPMG LLP (KPMG), as the Council's auditors for 2024/25, have completed the work that they are going to undertake on those accounts. They have therefore issued their draft reports on the Accounts. As the 2022/23 audit opinion was disclaimed, it was not possible for KPMG to undertake enough audit work to issue an unqualified opinion. Instead, they have issued another disclaimed opinion. However, an increased amount of work has been undertaken and there is progress being made towards issuing an unqualified opinion in the future.

During the audit KPMG have found some non-material errors and proposed corrections. Two of these have been corrected and one has not been corrected. The Statement of Accounts appended to this report includes these changes.

The reports from KPMG include their Value for Money report. They have not identified any significant weaknesses, which is a positive assessment. They have made some recommendations on improvements that we can make. The Council has provided (or will provide) a management response to these. Most of these detail the changes that the Council will make.

The Council's Annual Governance Statement (AGS) should be approved in advance of approving the Statement of Accounts. This is the preceding item on the agenda for the meeting.

2. RECOMMENDATIONS

- 2.1. That the Committee note the KPMG Annual Report as attached at Appendix B and the KPMG Year End Report (ISA 260) to the Finance, Audit and Risk Committee at Appendix C.
- 2.2. That the Committee approve the 2024/25 Statement of Accounts as attached at Appendix A (with the Auditors Report to be added), and that they can be signed by the Chair of the Committee.

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| <ul style="list-style-type: none">2.3. That the Committee approve the signing of a Management Representation letter by the Chair of the Committee, as attached at Appendix D.2.4. That if there are minor changes required to the Statement of Accounts or the Management Representation letter then these can be approved by the Chair of the Committee. |
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3. REASONS FOR RECOMMENDATIONS

- 3.1 To ensure that the Council abides by the Audit and Account Regulations 2015, which require the approval and publication of audited Statement of Accounts. Furthermore, to meet the back-stop deadlines set out in the Accounts and Audit (Amendment) Regulations 2024.

4. ALTERNATIVE OPTIONS CONSIDERED

- 4.1. None, the approval of the Statement of Accounts is a statutory requirement.

5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS

- 5.1. Consultation with Members on the Statement of Accounts is not required.
- 5.2. The draft Statement of Accounts for 2024/25 were published on the Council's website in July 2025. This was later than when the Council was supposed to publish them (should have been by the end of June). The short delay was due to the Accounts team getting back to normal after implementing a new finance IT system. Under the Local Audit and Accountability Act 2014 (sections 26 and 27) and the Accounts and Audit Regulations 2015 (sections 14 and 15), members of the public and Local Government electors have certain rights in respect of the audit process. This includes inspection of the accounts, associated documents and being able to ask questions. This opportunity was advertised in accordance with the regulations and ran from 10 July to 20 August 2025. No one took up the opportunity to inspect the accounts.

6. FORWARD PLAN

- 6.1 This report does not contain a recommendation on a key Executive decision and has therefore not been referred to in the Forward Plan.

7. BACKGROUND

- 7.1. The Committee have been made aware of the issues with External Audit backlogs in Local Government and the plans to address them. This includes a series of back-stop dates. The first of these was 13 December 2024 for 2022/23 (and earlier) accounts, then the 28 February 2025 for 2023/24 accounts, and now 27 February for the 2024/25 accounts.
- 7.2. Like most Councils, our audit appointments are arranged through Public Sector Audit Appointments (PSAA). They determine who our auditor will be and set scale fees for audits. For 2023-24 onwards (for an initial term of 5 years) our auditors are KPMG.

8. RELEVANT CONSIDERATIONS

- 8.1 KPMG have recently completed the work that they are going to undertake on those accounts. They have therefore issued their draft reports on the Accounts. These are an Annual Report (attached at Appendix B) and a the KPMG Year End Report (ISA 260) to the Finance, Audit and Risk Committee (attached at Appendix C). As the 2022/23 audit opinion was disclaimed, there is still an ongoing process to rebuild assurance. This is because an audit would usually get assurances (e.g. in relation to prior year balances and comparative information) from the prior year audit work. Instead, they have issued a disclaimed opinion. This means that they have not been able to fully look at enough areas of the Accounts. This is the situation that we expected to be in as it will take time to get the whole process back to normal.
- 8.2 The reports detail the audit work that KPMG have been able to carry out and the gaps that they have not been able to cover which result in the disclaimed opinion. A disclaimed opinion (not able to review some or all of the accounts due to time constraints) is different from a qualified opinion (arises when there are material errors in the accounts) and is not a negative reflection on the accounts.
- 8.3 During their audit work, KPMG found some non-material errors, and we have corrected two of these. We have not corrected one of these errors relating to a pension fund disclosure, as it would require the time and cost of getting a new pension valuation report. The errors are fully detailed on pages 29 and 30 of Appendix C
- 8.4 KPMG (as per their audit requirements) also carry out Value for Money work. This has previously been reported to the Committee, and is also set out on pages 21-22 of Appendix C. The Council has provided an update on the performance improvement observation that was identified as part of that work.
- 8.5 During their financial accounts work they have identified some further recommendations on control deficiencies. These are detailed on pages 31 to 35 of Appendix C. The Council has provided a management response to most of these, and a verbal update will be provided on the remaining ones at the meeting. The Council will make changes as a result of almost all of these. The reasons for not taking action in relation to numbers 1 and 2 are detailed in the management responses.
- 8.6 There will also be a requirement to sign a Management Representation letter. A draft version of this is attached at Appendix D.
- 8.7 In advance of approving the Statement of Accounts the Committee must approve the Annual Governance Statement (AGS) for 2024/25. This is the preceding item on the agenda of this meeting.
- 8.8 At the time of writing this report, KPMG are still completing their audit work. This may need to extend beyond the date of the Committee and may identify further minor changes. Recommendation 2.4 covers this.

9. LEGAL IMPLICATIONS

- 9.1 The Accounts and Audit Regulations 2015 determine how and when the Annual Statement of Accounts should be approved and published.

- 9.2. The Accounts and Audit Regulations 2015 (section 9) state the accounts should be signed and dated by the Member presiding at the meeting which formally approves the accounts. Under the constitution, the Finance, Audit & Risk Committee has responsibility to “review and approve the Statement of Accounts” (constitution 10.1.5a).
- 9.3. The Local Audit and Accountability Act 2014 (sections 26 and 27) and the Accounts and Audit Regulations 2015 (sections 14 and 15) grant members of the public and Local Government electors certain rights in respect of the audit process.
- 9.4. The Local Government Act 2003 (section 21) determines that the Council must follow ‘proper practices’ in the preparation of the annual Statement of Accounts
- 9.5. The Accounts and Audit (Amendment) Regulations 2024’ have introduced the back-stop dates and a revision to the date when Councils should publish their draft Statement of Accounts.

10. FINANCIAL IMPLICATIONS

- 10.1. None of the minor changes made to the Accounts (as identified in the audit work by KPMG) affect the the year-end General Fund balance (or other usable reserves) reported to Cabinet and Council in June 2025.

11. RISK IMPLICATIONS

- 11.1. Good Risk Management supports and enhances the decision-making process, increasing the likelihood of the Council meeting its objectives and enabling it to respond quickly and effectively to change. When taking decisions, risks and opportunities must be considered.
- 11.2. The process of compiling the Statement of Accounts is a control mechanism to help mitigate against the risk of poor financial management and is a way the Council can demonstrate to the public how it has managed its resources and acted in its responsibility as a steward of public funds. The audit process also provides assurances. The role of audit is weaker where it provides a disclaimed option, although a full Value for Money review has been undertaken.

12. EQUALITIES IMPLICATIONS

- 12.1. In line with the Public Sector Equality Duty, public bodies must, in the exercise of their functions, give due regard to the need to eliminate discrimination, harassment, victimisation, to advance equality of opportunity and foster good relations between those who share a protected characteristic and those who do not.
- 12.2. There are no equalities implications arising from this report.

13. SOCIAL VALUE IMPLICATIONS

- 13.1. The Social Value Act and “go local” requirements do not apply to this report.

14. ENVIRONMENTAL IMPLICATIONS

- 14.1. There are no known Environmental impacts or requirements that apply to this report.

15. HUMAN RESOURCE IMPLICATIONS

- 15.1 There are resource implications of preparing our Statement of Accounts and supporting the audit work by KPMG. These are part of the core tasks of the finance team.

16. APPENDICES

- 16.1 Appendix A: Statement of Accounts 2024/25
- 16.2 Appendix B: KPMG Annual Report
- 16.3 Appendix C: KPMG Year End Report (ISA 260) to the Finance, Audit and Risk Committee
- 16.4 Appendix D: Management Representation Letter

17. CONTACT OFFICERS

- 17.1 Ian Couper, Service Director: Resources, ian.couper@north-herts.gov.uk, ext: 4243
- 17.2 Antonio Ciampa, Accountancy Manager, Antonio.ciampa@north-herts.gov.uk, ext: 4566

18. BACKGROUND PAPERS

- 18.1 *None*