



# Auditor's Annual Report for North Hertfordshire District Council **DRAFT**

Year-ended 31 March 2025

29 January 2026

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Our audit report will be made solely to the members of North Hertfordshire District Council (the Authority), as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the members of the Authority, as a body, those matters we are required to state to them in an auditor's report and for no other purpose.

To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the members of Authority, as a body, for our audit work, for our auditor's report, for this Auditor's Annual Report, or for the opinions we have formed.

External auditors do not act as a substitute for the Authority's own responsibility for putting in place proper arrangements to ensure that public 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.

**01**

# **Executive Summary**

# Executive Summary

## Purpose of the Auditor’s Annual Report

This Auditor’s Annual Report provides a summary of the findings and key issues arising from our 2024-25 audit of North Hertfordshire District Council (the ‘Authority’). This report has been prepared in line with the requirements set out in the Code of Audit Practice published by the National Audit Office (the ‘Code of Audit Practice’) and is required to be published by the Authority alongside the annual report and accounts. This Auditor’s Annual Report supersedes the version dated 27 November 2025, because we have now issued our report in relation to the financial statements.

## Our responsibilities

The statutory responsibilities and powers of appointed auditors are set out in the Local Audit and Accountability Act 2014 (the Act). Our responsibilities under the Act, the Code of Audit Practice and International Standards on Auditing (UK) (‘ISAs (UK)’) include the following:



**Financial Statements** - To provide an opinion as to whether the financial statements give a true and fair view of the financial position of the Authority and of its income and expenditure during the year and have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting 2024/25 (‘the CIPFA Code’).



**Other information** - To consider, whether based on our audit work, the other information in the Statement of Accounts is materially misstated or inconsistent with the financial statements or our audit knowledge of the Authority.



**Value for money** - To report if we have identified any significant weaknesses in the arrangements that have been made by the Authority to secure economy, efficiency and effectiveness in its use of resources. We are also required to provide a summary of our findings in the commentary in this report.



**Other powers** - We may exercise other powers we have under the Act. These include issuing a Public Interest Report, issuing statutory recommendations, issuing an Advisory Notice, applying for a judicial review, or applying to the courts to have an item of expenditure declared unlawful.

In addition to the above, we respond to any valid objections received from electors.

## Findings

We have set out below a summary of the conclusions that we provided in respect of our responsibilities.

<b>Financial statements and other information</b>	<p>We are expecting to issue a disclaimer of opinion on the Authority’s financial statements by 27 February 2026. This is because we have been unable to obtain sufficient appropriate audit evidence over the financial statements as we have been unable to perform the procedures that we consider necessary to form our opinion on the accounts. Further details are set out on page 7.</p> <p>We have provided further details of the key risks we identified and our response on pages 8 to 11.</p>
<b>Other information</b>	<p>Whilst in our opinion the content of the other information is consistent with the financial statements, we are unable to determine whether there are material misstatements in the other information.</p>
<b>Value for money</b>	<p>We identified no significant weaknesses in respect of the arrangements the Authority has put in place to secure economy, efficiency, and effectiveness in the use of its resources. Further details are set out on page 7.</p>
<b>Whole of Government Accounts</b>	<p>We are required to perform procedures and report to the National Audit Office in respect of the Authority’s consolidation return to HM Treasury in order to prepare the Whole of Government Accounts.</p> <p>As the National Audit Office has not yet informed us that we are not required to perform any further procedures, we are unable to confirm that we have concluded our work in this area.</p>
<b>Other powers</b>	<p>See overleaf.</p>

# Executive Summary

There are several actions we can take as part of our wider powers under the Act:

## Public interest reports

We may issue a Public Interest Report if we believe there are matters that should be brought to the attention of the public.

If we issue a Public Interest Report, the Authority is required to consider it and to bring it to the attention of the public.

**As at the date of this report, we have not issued a Public Interest Report this year.**

## Judicial review/Declaration by the courts

We may apply to the courts for a judicial review in relation to an action the Authority is taking. We may also apply to the courts for a declaration that an item of expenditure the Authority has incurred is unlawful.

**As at the date of this report, we have not applied to the courts.**

## Recommendations

We can make recommendations to the Authority. These fall into two categories:

1. We can make a statutory recommendation under Schedule 7 of the Act. If we do this, the Authority must consider the matter at a general meeting and notify us of the action it intends to take (if any). We also send a copy of this recommendation to the relevant Secretary of State.
2. We can also make other recommendations. If we do this, the Authority does not need to take any action, however should the Authority provide us with a response, we will include it within this report.

**As at the date of this report, we made no recommendations under Schedule 7 of the Act.**

**As at the date of this report, we have not raised any other recommendations.**

## Advisory notice

We may issue an advisory notice if we believe that the Authority has, or is about to, incur an unlawful item of expenditure or has, or is about to, take a course of action which may result in a significant loss or deficiency.

If we issue an advisory notice, the Authority is required to stop the course of action for 21 days, consider the notice at a general meeting, and then notify us of the action it intends to take and why.

**As at the date of this report, we have not issued an advisory notice this year.**

In addition to these powers, we can make performance improvement observations to make helpful suggestions to the Authority. Where we raise observations we report these to management and the Finance, Audit and Risk Committee. The Authority is not required to take any action to these, however it is good practice to do so and we have included any responses that the Authority has given us.

**02**

# **Audit of the financial statements**

# Audit of the financial statements

**Our responsibility is to conduct an audit of the financial statements in accordance with the Local Audit and Accountability Act 2014, Code of Audit Practice and ISAs (UK) and to issue an auditor's report.**

However, due to the significance of the matters described below, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the Authority financial statements.

We have fulfilled our ethical responsibilities under, and are independent of the council in accordance with, UK ethical requirements including the FRC Ethical Standard.

## **Our disclaimer of opinion on the Authority's financial statements**

We expecting to issue a disclaimer of opinion on the Authority's financial statements by 27 February 2026. We therefore do not express an opinion on the financial statements. We are in the progress of agreeing the final basis for disclaimer of opinion wording with KPMG's Department of Professional Practice.

Further information on our audit of the Authority financial statements is set out overleaf.

# Audit of the financial statements

The table below summarises the key financial statement audit risks that we identified as part of our risk assessment and how we responded to these through our audit.

## Valuation of land and buildings

The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate current value at that date. The Council has adopted a rolling revaluation model which sees all land and buildings revalued over a five-year cycle.

This creates a risk that the carrying value of assets not revalued in year differs materially from the year end current value.

A further risk is presented for those assets that are revalued in the year, which involves significant judgement and estimation on behalf of the engaged valuers.

### Our procedures

- We critically assessed the independence, objectivity and expertise of the valuers used in developing the valuation of the Council's investment property as at 31 March 2025;
- We inspected the instructions issued to the valuers to verify they are appropriate to produce a valuation consistent with the requirements of the CIPFA Code;
- We compared the accuracy of the data provided to the valuers for the development of the valuation to underlying information;
- We evaluated the design and implementation of controls in place for management to review the valuation and the appropriateness of assumptions used;
- We challenged the appropriateness of the valuation; including any material movements from the previous revaluations. We will challenge key assumptions within the valuation as part of our judgement;
- We agreed the calculations performed of the movements and verify that these have been accurately accounted for in line with the requirements of the CIPFA Code;
- We reviewed the valuation report prepared by the Council's valuers to confirm the appropriateness of the methodology utilised; and
- We considered the adequacy of the disclosures concerning the key judgements and degree of estimation involved in arriving at the valuation.

### Our findings

While we are disclaiming our audit opinion on the financial statements, we are still required to identify our audit findings based on the work performed. We have identified the following audit findings:

Based on the testing performed, we did not identify any material misstatements relating to this risk. However, note that testing was performed to gain assurance over the revalued portion of land and buildings only, as we do not have assurance over brought-forward land and buildings balances due to the disclaimers of opinion given for 2022/23 and 2023/24.

Auditing standards require us to report that the design and implementation of the management review control relating to this area is ineffective in line with the ISA definition. Whilst the ISAs acknowledge that it is difficult for management to design controls that address subjectivity and estimation uncertainty in a manner that effectively prevents, or detects and corrects, material misstatements, we have raised a recommendation relating to this risk.

We have reperformed the calculations of the movements in value of land and buildings and identified that the upward revaluation movements of £48k for Churchgate Shopping Centre was credited directly to the Revaluation Reserve without first reversing prior impairment losses previously recognised. We have raised a recommendation relating to this misstatement.

We considered the estimate, for the assets valued in 2024/25, to be balanced based on the procedures performed.



# Audit of the financial statements

## Valuation of investment property

The Code defines an investment property as one that is used solely to earn rentals or for capital appreciation or both. Property that is used to facilitate the delivery of services or production of goods as well as to earn rentals or for capital appreciation does not meet the definition of an investment property.

There is a risk that investment properties are not being held at fair value, as is required by the Code. At each reporting period, the valuation of the investment property must reflect market conditions. Significant judgement is required to assess fair value and management experts are often engaged to undertake the valuations.

### Our procedures

- We critically assessed the independence, objectivity and expertise of the valuers used in developing the valuation of the Council's investment property as at 31 March 2025;
- We inspected the instructions issued to the valuers to verify they are appropriate to produce a valuation consistent with the requirements of the CIPFA Code;
- We compared the accuracy of the data provided to the valuers for the development of the valuation to underlying information;
- We evaluated the design and implementation of controls in place for management to review the valuation and the appropriateness of assumptions used;
- We challenged the appropriateness of the valuation; including any material movements from the previous revaluations. We will challenge key assumptions within the valuation as part of our judgement;
- We agreed the calculations performed of the movements and verify that these have been accurately accounted for in line with the requirements of the CIPFA Code;
- We reviewed the valuation report prepared by the Council's valuers to confirm the appropriateness of the methodology utilised; and
- We considered the adequacy of the disclosures concerning the key judgements and degree of estimation involved in arriving at the valuation.

### Our findings

While we are disclaiming our audit opinion on the financial statements, we are still required to identify our audit findings based on the work performed. We have identified the following audit findings:

Based on the testing performed, we did not identify any material misstatements relating to this risk.

Auditing standards require us to report that the design and implementation of the management review control relating to this area is ineffective in line with the ISA definition. Whilst the ISAs acknowledge that it is difficult for management to design controls that address subjectivity and estimation uncertainty in a manner that effectively prevents, or detects and corrects, material misstatements, we have raised a recommendation relating to this risk.

We considered the estimate, for the assets valued in 2024/25, to be balanced based on the procedures performed.

# Audit of the financial statements

## Valuation of post retirement benefit obligations

The valuation of the post retirement benefit obligations involves the selection of appropriate actuarial assumptions, most notably the discount rate applied to the scheme liabilities, inflation rates and mortality rates. The selection of these assumptions is inherently subjective and small changes in the assumptions and estimates used to value the Council's pension liability could have a significant effect on the financial position of the Council.

### Our procedures

- We understood the processes the Council has in place to set the assumptions used in the valuation;
- We evaluated the competency, objectivity of the actuaries to confirm their qualifications and the basis for their calculations;
- We performed inquiries of the accounting actuaries to assess the methodology and key assumptions made, including actual figures where estimates have been used by the actuaries, such as the rate of return on pension fund assets;
- We agreed the data provided by the audited entity to the Scheme Administrator for use within the calculation of the scheme valuation;
- We evaluated the design and implementation of controls in place for the Council to determine the appropriateness of the assumptions used by the actuaries in valuing the liability;
- We challenged, with the support of our own actuarial specialists, the key assumptions applied, being the discount rate, inflation rate and mortality/life expectancy against externally derived data;
- We confirmed that the accounting treatment and entries applied by the Group are in line with IFRS and the CIPFA Code of Practice;
- We considered the adequacy of the Council's disclosures in respect of the sensitivity of the deficit or surplus to these assumptions; and
- We assessed the level of surplus that should be recognised by the entity.

### Our findings

While we are disclaiming our audit opinion on the financial statements, we are still required to identify our audit findings based on the work performed. We have identified the following audit findings:

Based on the testing performed, we have identified one unadjusted audit misstatement. Management included an estimated value for the return on planned assets within their draft financial statements, based on the report provided by the actuary. However, upon reviewing the audited financial statements of the Hertfordshire Pension Fund, we noted that the actual rate of return for 2023/24 was misstated. As a result, plan assets as at 31 March 2025 are overstated by £867k.

Auditing standards require us to report that the design and implementation of the management review control relating to this area is ineffective in line with the ISA definition. Whilst the ISAs acknowledge that it is difficult for management to design controls that address subjectivity and estimation uncertainty in a manner that effectively prevents, or detects and corrects, material misstatements, we have raised a recommendation relating to this risk.

We considered the estimate, for the post retirement benefit obligations in 2024/25, to be balanced based on the procedures performed.

# Audit of the financial statements

## Management override of controls

Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

### Our procedures

- We assessed accounting estimates for biases by evaluating whether judgements and decisions in making accounting estimates, even if individually reasonable, indicate a possible bias;
- We evaluated the selection and application of accounting policies;
- In line with our methodology, we evaluated the design and implementation of controls over journal entries and post closing adjustments;
- We assessed the appropriateness of changes compared to the prior year to the methods and underlying assumptions used to prepare accounting estimates;
- We assessed the business rationale and the appropriateness of the accounting for significant transactions that are outside the Council's normal course of business, or are otherwise unusual; and
- We analysed all journals through the year and focus our testing on those with a higher risk, such as journals impacting revenue, cash or borrowings.

### Our findings

While we are disclaiming our audit opinion on the financial statements, we are still required to identify our audit findings based on the work performed. We have identified the following audit findings:

Based on the testing performed, we did not identify any material misstatements relating to this risk.

Auditing standards require us to report that the design and implementation of the journals review process in place within the Council's general ledger system is ineffective in line with the ISA definition. Whilst the ISAs acknowledge that it is difficult for management to design controls that address subjectivity and estimation uncertainty in a manner that effectively prevents, or detects and corrects, material misstatements, we have raised a recommendation relating to this risk.

**03**

# **Value for Money**

# Value for Money

## Introduction

We are required to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources or ‘value for money’. We consider whether there are sufficient arrangements in place for the Authority for the following criteria, as defined by the Code of Audit Practice:



**Financial sustainability:** How the Authority plans and manages its resources to ensure it can continue to deliver its services.



**Governance:** How the Authority ensures that it makes informed decisions and properly manages its risks.



**Improving economy, efficiency and effectiveness:** How the Authority uses information about its costs and performance to improve the way it manages and delivers its services

We do not act as a substitute for the Authority’s own responsibility for putting in place proper arrangements to ensure that public 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. We are also not required to consider whether all aspects of the Authority’s arrangements are operating effectively, or whether the Authority has achieved value for money during the year.

## Approach

We undertake risk assessment procedures in order to assess whether there are any risks that value for money is not being achieved. This is prepared by considering the findings from other regulators and auditors, records from the organisation and performing procedures to assess the design of key systems at the organisation that give assurance over value for money.

Where a significant risk is identified we perform further procedures in order to consider whether there are significant weaknesses in the processes in place to achieve value for money.

We are required to report a summary of the work undertaken and the conclusions reached against each of the aforementioned reporting criteria in this Auditor’s Annual Report. We do this as part of our commentary on VFM arrangements over the following pages.

We also make recommendations where we identify weaknesses in arrangements or other matters that require attention from the Authority.

## Summary of findings

Our work in relation to value for money is complete.

	Financial sustainability	Governance	Improving economy, efficiency and effectiveness
Commentary page reference	15	17	21
Identified risks of significant weakness?	✗ No	✓ Yes	✓ Yes
Actual significant weakness identified?	✗ No	✗ No	✗ No
2023-24 Findings	No significant risks identified	No significant risks identified	Risk of significant weakness noted but did not materialise into significant weakness

# Value for Money

## National context

We use issues affecting Councils nationally to set the scene for our work. We assess if the issues below apply to this Council.

### Local Government Reorganisation

The Government has announced proposals to restructure local government throughout England. County and District councils (and, in some cases, existing Unitary authorities) will be abolished and replaced with new, larger Unitary authorities, which will (in many cases) work together with peers in a regional or sub-regional Combined Authority. Authorities which are unaffected by these proposals may still see changes in local police and fire authorities and in the Councils they already work in collaboration with.

Restructuring has, in some cases, resulted in differing views on how services should be provided in their regions – with little consensus on how previously separate organisations will be knitted together. Councils will need to ensure that investment decisions are in the long-term interest of their regions, and that appropriate governance is in place to support decision making.

### Financial performance

Over recent years, Councils have been expected to do more with less. Central government grants have been reduced, and the nature of central government support has become more uncertain in timing and amount. This has caused Councils to cut services and change the way that services are delivered in order to remain financially viable.

Whilst the Government has indicated an intention to restore multi-year funding settlements, giving Councils greater certainty and ability to make longer-term investment decisions, the Government has also proposed linking grant funding to deprivation. For some authorities this presents a significant funding opportunity, whereas for others this reinforces existing financial sustainability concerns and creates new financial planning uncertainties.

## Local context

### Background

North Hertfordshire District Council is a non-metropolitan district in Hertfordshire. The Council provides district-level services to a population of around 137,000 residents. There are close working relationships between the Authority, Hertfordshire County Council, local parish councils and the other nine district councils within the County.

### Financial performance

In 2024/25, the Authority reported a surplus on provision of services of £8,772k. The net outturn of £17,932k represents a decrease of £817k from the net working budget of £18,749k. The Authority had total reserves of £147,996k as at 31 March 2025 which was split between total usable reserves of £31,188k and total unusable reserves of £116,808k. Total usable reserves and unusable reserves increased during 2024/25 by £1,286k and £6,298k respectively.

North Hertfordshire District Council have not issued and does not anticipate issuing a Section 114 notice.

For 2025/26, the Authority has developed a budget with net working budget of £22,914k and budgeted capital expenditure of £27,624k. As at the end of June 2025, the Authority approved changes to the working budget to £24,043k. The forecast variance is a £453k increase in the net working budget.

### Local Government Reorganisation

North Hertfordshire District Council, Hertfordshire County Council, the Office of Police and Crime Commissioner and the other nine district councils within the County are currently undergoing a local government reorganisation following government's publication of the English Devolution White Paper in December 2024. There are ongoing discussions to replace the current two-tier system with a single tier of unitary councils. Full proposals are expected to be submitted by 28 November 2025.

There will not be any immediate changes to the services provided by North Hertfordshire District Council.

# Financial Sustainability

## How the Authority plans and manages its resources to ensure it can continue to deliver its services.

We have considered the following in our work:

- How the Authority ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them;
  - How the Authority plans to bridge its funding gaps and identifies achievable savings;
  - How the Authority plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities;
  - How the Authority ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system; and
  - How the Authority identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans.
- The Authority has followed its governance processes for setting a balanced budget and regularly updating its Medium-Term Financial Strategy (MTFS). The Authority has a detailed process for setting its annual budget. The process for 24/25 budget setting began in September 2023 with expected income calculated to determine the required level of savings needed for a balanced budget. Budget proposals from budget managers then goes through the Leadership Team and Political Liaison Board, and then to informal budget workshops for comments and questions. The budget is reviewed by the Cabinet and Finance, Audit and Risk Committee before a final draft budget, including financial risks, went to Full Council for final approval on 29 February 2024.
  - The 24/25 budget and MTFS are underpinned by assumptions that we deemed reasonable and are well supported. It is our view that this is a comprehensive process with evidence of challenge and review.
  - Required efficiencies to deliver a balanced budget are approved as part of the budget set at the end of February. Efficiency requirements are identified and communicated in advance through the Leadership Team. The quarterly monitoring reports reported at the Cabinet and Finance, Audit and Risk Committee provides key stakeholders with the latest overall financial position and the performance of specific efficiencies. Where efficiencies are falling behind plan, meetings are held with the relevant Budget Managers to identify actions to be taken to resolve the underperformance, behind, and timing of any impacts.
  - The Authority's workforce and operational plans are incorporated with the Council Plan 2024-2028. The Council Plan was approved by the Council on 19 September 2024 and sets out the Authority's four key priorities: Thriving Communities, Accessible services, Responsible growth and Sustainability.
  - To support the delivery of the Council Plan, the Authority has developed a Council Delivery Plan. This sets out the key projects that will be carried out during the year to support the delivery of the Council Plan. It also sets out the risks to achieving those goals and the performance indicators used to monitor expected outcomes.
  - The Council Plan is supported by the MTFS which ensures consistency between the Authority's financial plan and the Authority's workforce and operational plans.
  - The Authority's process for assessing risks to financial sustainability is underpinned by the Authority's Risk Management Framework. There are two key elements to each risk statement: the impact and the likelihood which are each scored on a scale of low, medium and high. In addition to financial risks, the Risk Management Framework also includes risks relating too Strategic, Operational, Information, Reputation, People, Regulatory and Environment.

# Financial Sustainability

- The Authority's risk management approach is to initially identify the Authority's aims and objectives. The Authority will then identify and describe risks to these aims and objectives and assess the initial level of risk based on impact and likelihood. The Authority will develop actions to reduce the impact and likelihood of the risk to a required level.
- Each risk is assigned to a risk owner. Risk owners are required to conduct a regular review of their risks on the Authority's risk management software Ideagen Risk Management.
- The Authority's summary position on revenue income and expenditure at the end of the financial year 2024/25 was presented to the Cabinet on 24 June 2025 in the Revenue Budget Outturn 2024-25 report.
- The net outturn of £17,932k represents a decrease of £817k from the net working budget of £18,749k.
- The original approved budget for 2024/25 (and therefore working budget) included efficiencies totalling £699k, which were agreed by Council in February 2024. At the end of the year a net total of £515k of efficiencies have been achieved in 2024/25, representing a net underachievement of planned efficiencies of £184k.
- The budget includes planned use of previous Business Rates gains and General Fund reserves. In previous years, these have not been used and returned to General Fund. However, in 2024/25 there has been an actual use of the reserve, but at a lower level than budgeted. As the use of reserves was planned and budgeted and the Authority has a high level of reserves compared to the risk the Authority faces, use of reserves is not deemed a significant risk for the Council.
- In 2024/25, the Authority reported a surplus on provision of services of £8,772k. The Authority had total reserves of £147,996k as at 31 March 2025 which was split between total usable reserves of £31,188k and total unusable reserves of £116,808k. Total usable reserves and unusable reserves increased during 2024/25 by £1,286k and £6,298k respectively.
- For 2025/26, the Authority has developed a budget with net working budget of £22,914k and budgeted capital expenditure of £27,624k. As at the end of June 2025, the Authority approved changes to the working budget to £24,043k. The forecast variance is a £453k increase in the net working budget.

## Conclusion

Based on the procedures performed we have not identified a significant risk or weakness associated with financial sustainability.

Key financial and performance metrics:	2024-25 £m	2023-24 £m
Planned surplus/(deficit)	0.0	0.0
Actual surplus/(deficit)	8.8	(1.1)
Usable reserves	31.2	29.9
Year-end borrowings	0.3	0.4
Year-end cash position	16.3	3.3



# Governance

## How the Authority ensures that it makes informed decisions and properly manages its risks.

We have considered the following in our work:

- how the Authority monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud;
  - how the Authority approaches and carries out its annual budget setting process;
  - how the Authority ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed, including in relation to significant partnerships;
  - how the Authority ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency; and
  - how the Authority monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of management or Board members' behaviour.
- The Authority's process for assessing risk is underpinned by the Authority's Risk Management Framework. There are two key elements to each risk statement: the impact and the likelihood which are each scored on a scale of low, medium and high. Furthermore, risk are categorised into Strategic, Operational, Information, Reputation, Financial, People, Regulatory or Environment.
  - The Authority's risk management approach is to initially identify the Authority's aims and objectives. The Authority will then identify and describe risks to these aims and objectives and assess the initial level of risk based on impact and likelihood. The Authority will develop actions to reduce the impact and likelihood of the risk to a required level.
  - The Authority has a Risk Scoring Matrix to assess whether the level of risk. The matrix uses a "traffic light" approach to show high (red), medium (amber) and low (green) risks. The risk score is calculated as impact x likelihood so between 1 - 9. The Authority actively monitors risks scoring 4 or higher on the Risk Scoring Matrix.
  - Each risk is assigned to a risk owner. Risk owners are required to conduct a regular review of their risks on the Authority's risk management software Ideagen Risk Management.
  - Regular reporting of Corporate Risks goes to the Risk and Performance Management Group, Leadership Team, Overview and Scrutiny and Cabinet enables senior managers and Members to be more fully aware of the extent of the risks and progression of recorded actions, along with any proposed archiving/closures.
  - Risk registers are maintained on Ideagen Risk Management. This enables the Authority to monitor and review risks and produce meaningful management reports.
  - The Council's Constitution sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that decisions are efficient, transparent and accountable to local people. The Constitution defines the governance structures in place at the Authority.
  - The governance structures is headed by the Full Council which comprises of all 51 elected Members. The Full Council is supported by the Cabinet which consists of the Leader of the Council and at least two but not more than nine Councillors appointed as Executive Members by the Leader.
  - Other governance structures at the Authority includes the Overview and Scrutiny Committee, the Standards Committee, Regulatory Committees, Community Forums and the Finance, Audit and Risk Committee. All committees required by Regulations are included within the governance structure.

# Governance

- During the Council meeting on 27 February 2025, members approved the restructure of the Leadership Team. The key changes included rebranding the Managing Director role to become the Chief Executive role and reallocation of key areas of responsibilities between each of the Directorates.
- The Authority's controls to prevent and detect fraud are detailed within the Authority's Fraud Prevention Policy. The policy evidences that the Council has an effective counter fraud and anti-corruption arrangements in place and is maintained in accordance with the Code of Practice on Managing the Risk of Fraud and Corruption. Additionally, the Authority are part of a Shared Anti-Fraud Service, hosted by Hertfordshire County Council. The Finance, Audit and Risk Committee receives quarterly reports from the Shared Anti-Fraud Service.
- The budget is reviewed by the Cabinet and Finance, Audit and Risk Committee before a final draft budget, including financial risks, went to Full Council for final approval on 29 February 2024.
- The responsibility for ensuring that the Authority is compliant with laws and regulations falls under the remit of the Director: Governance (Monitoring Officer). The Monitoring Officer attends the Public Law Partnership (an Eastern legal partnership covering 27 local authorities), and quarterly Governance Special Interest meetings where any legal and governance updates are discussed and provided. The Director attends other Monitoring Officer know-how sessions regularly provided by Lawyers in Local Government and is also part of the Association of Democratic Services Officers forum. Compliance with laws and regulations is monitored by legal staff and the Monitoring Officer weekly, and actions are subsequently identified on Service Action plans.
- Policy changes and new policies would either be considered by Leadership Team (e.g. for human resources related policies), Cabinet (e.g. where more strategic policies) or Council (e.g. financial regulations, procurement rules). The Monitoring Officer is part of Leadership Team so would be able to input into that consideration. All Committee reports include a legal implication section, which is reviewed by a legal officer.
- Monthly briefings are provided by the Monitoring Officer in writing and orally to Group Leaders, identifying up and coming legislation and enactments and possible impacts on the Authority. There is also a Statutory Officer Group, which meets quarterly, or more often as required and legal issues are standing items on the agenda.
- The Authority has a Code of Conduct for Councillors. Conflicts of interest is included in the Code of Conduct for Councillors. The Code of Conducts defines the standards of behaviour for councillors and all employees. All councillors and employees are made aware of the relevant code of conduct at the beginning of their employment.
- Financial Regulations forms part of the Constitution of the Council. These Financial regulations provide the framework for managing the authority's financial affairs. The regulations applies to every Member and Officer of the Council, but they place specific requirements on certain individuals and committees. The Financial Regulations provides an appropriate escalation framework for making key decisions including escalation to the Council or relevant Committees as necessary.
- The Authority has Contract Procurement Rules as part of the Constitution. These Rules were revised on 24 February 2025. All business cases include an implications section which includes finance, risk and legal. For projects that will form part of the Council Delivery Plan, the impact of performance and KPIs are also considered. For all decisions, the level of information will be in line to the scale and type of decision. For significant decisions then will be presented to Leadership Team and/ or Political Liaison Board. Legal and regulatory requirements are incorporated into business cases via mandatory use of the project plan templates. The reports also includes a section to document equality, social value, HR, environmental and diversity considerations as well.

# Governance

- Under Regulation 9 of the Accounts and Audit Regulations 2015, the Council is required to publish its unaudited Statement of Accounts by 31 May each year. The Government introduced amendments to the Accounts and Audit Regulations which required the Authority to publish its unaudited 2024/25 Statement of Accounts and accompanying information on or before 30 June 2025. The Authority missed this deadline and were only able to publish the unaudited 2024/25 Statement of Accounts on 10 July 2025. By not publishing the unaudited Statement of Accounts by the required deadline, the Authority has breached its laws and regulations. As a result, we have identified a significant risk over governance on the Authority's Preparation and Publication of the Statement of Accounts. The authority also missed this deadline in the prior year.

## Risk assessment conclusion

Based on the procedures performed we have identified a significant risk associated with governance on the Authority's Preparation and Publication of the Statement of Accounts. See page 20.

# Significant Value for Money Risk: Governance

## 1 Compliance with statutory financial reporting deadlines

Risk that value for money arrangements may contain a significant weakness linked to governance

### Significant Value for Money Risk

There is a risk that the Authority does not have in place adequate governance arrangements to ensure compliance with its statutory financial reporting responsibilities.

### Our response

Through our audit we have evaluated the arrangements the Authority has put in place to ensure compliance with its statutory financial reporting responsibilities.

### Our findings

#### Findings

Under Regulation 9 of the Accounts and Audit Regulations 2015, the Authority is required to publish its draft annual Statement of Accounts by 31 May each year. The Government introduced amendments to the Accounts and Audit Regulations which required the Authority to publish its unaudited 2024/25 financial statements and accompanying information on or before 30 June 2025.

We acknowledge that the Authority has been affected by the mid-year general ledger migration and audit backlog.

The Authority missed this deadline and published its unaudited Statement of Accounts for 2024/25 on 10 July 2025 to discharge the statutory responsibilities under the Accounts and Audit Regulations 2015.

However, we note that this is a marked improvement on the 2023/24 unaudited accounts publication date of 18 September 2024. This demonstrates an improvement in the arrangements in place for preparing and issuing the unaudited statement of accounts.

### Conclusion

Based on the findings above we have not identified any significant weaknesses in arrangements for the timely preparation of a complete and accurate Statement of Accounts for 2024/25.

# Improving economy, efficiency and effectiveness

## How the Authority uses information about its costs and performance to improve the way it manages and delivers its services

We have considered the following in our work:

- how financial and performance information has been used to assess performance to identify areas for improvement;
  - how the Authority evaluates the services it provides to assess performance and identify areas for improvement;
  - how the Authority ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives; and
  - where the Authority commissions or procures services, how it assesses whether it is realising the expected benefits.
- The Authority have previously carried out cost reviews and looked at levels of service against statutory requirements. This has included the use of benchmarking data from comparable Councils. The Senior Leadership Team will look to other Local Authorities for examples of best practice and learn from those examples where possible. However, the limitations and cost of such benchmarking data mean that this is not now regularly collected or used by the Authority as it doesn't represent a significant benefit for the cost.
  - The Authority's processes for the development, implementation and monitoring of efficiency plans is as described on the previous pages on Financial Sustainability.
  - To monitor the performance of services, budget managers receives a monthly budget report which includes details on spend and projections from finance. Group accountants will meet to budget managers at least quarterly to discuss reasons and mitigation for adverse variances. Budget managers provide explanations for variances which are presented in the Formal Reporting papers which are presented quarterly to the Senior Leadership Team, Cabinet and Finance, Audit and Risk Committee.
  - After the end (31st March 2024) of the leisure contract, the contractor, Stevenage Leisure Limited (SLL) went into liquidation. It was expected that SLL would not pay back all the gym equipment loaned by the Authority as that had been heavily impacted by Covid-19 and repayments had been suspended. Additionally, SLL have initiated a litigation claim against the Authority for breach of contract.
  - In December 2021, the Authority made an agreement with a High Needs accommodation provider, initially resulting in subsidy loss for the Authority. The provider registered as a Housing Association in May 2023, aiming to access higher Housing Benefit rates and to eliminate subsidy loss to the Authority. However, the provider's Regulator of Social Housing status remained 'for-profit' despite assurances from the provider that it would change, leading to the Authority to suspend benefit payments in March 2025. There are ongoing proceedings between the Authority and the provider, following the Authority withholding payment of benefits. At the time of entering the agreement, the Authority did not specify a date by which the provider needed to achieve this status, nor did it set this requirement in writing.

# Improving economy, efficiency and effectiveness

- We understand there to be a number of staffing shortages at the Council which can impact on the Council's ability to deliver projects on time and leading to a requirement to prioritise key services. Our risk assessment procedures found this to be a consistent concern across the Senior Management Team and a key risk on the Council's risk register. The Council has pursued alternative approaches to address the difficulties experienced in recruitment e.g. apprenticeship and training schemes, secondment of staff, buying staff time from other Authorities within the area and agencies. Two factors have been noted regarding the difficulties in recruitment and retention – a) salaries when compared to the nearby London local government market and b) salaries and prospects in the private sector. Given the pervasive nature of this messaging in our inquiries, we have noted a significant risk in this matter.
- The Council shares services across the Hertfordshire area where practical and appropriate to the needs of the Council. For example, the Internal Audit function and Anti-Fraud Service are both sourced from Hertfordshire County Council shared services.

## Risk assessment conclusion

- Based on the procedures performed we have identified a significant risk associated with improving economy, efficiency and effectiveness on the maintenance of appropriate staffing levels within the Authority, both through recruitment and retention. See page 23.

# Significant Value for Money Risk: Improving economy, efficiency and effectiveness

2

## Maintenance of appropriate staffing levels within the Authority, both through recruitment and retention

Risk that value for money arrangements may contain a significant weakness linked to improving economy, efficiency and effectiveness

### Significant Value for Money Risk

There is a risk that staffing shortages at the Council could impact on the Council's ability to delivery projects on time and leading to a requirement to prioritise key services.

### Our response

We have carried out further assessment of management's response to tracking and managing the risk in regard to staffing levels.

We have carried out further assessment of management's response to mitigate and address the risk in regard to staffing levels through alternative staffing sources.

### Our findings

#### Findings

We have found that through appropriately monitoring and tracking the risk on the Corporate Risk Register, as item CDP12, management have been able to direct an appropriate response. All services are well aware of the risk, and across our service inquiries senior management have been very open in highlighting their concerns in this area.

We note that whilst the issue does cause some operational delivery issues for the Council, mitigating actions are being taken through the engagement of agency staffing, implementing apprenticeship schemes and seeking private sector secondments.

We have not identified any statutory duties not to have been delivered in year, other than the production of the unaudited accounts within the deadline.

The arrangements suggest the issue is mitigated and managed in a way that ensures delivery of required services continues.

We have also assessed that where possible the Council will procure external funding for staffing requirements such as funded consultancy positions being built into contract bids. Again, this is demonstrative of the mitigations management have put in place to manage shortages.

It has been noted in mitigation that there has been a low turnover in senior staff at the Council and as such the level of risk from staff turnover is significantly reduced.

#### Conclusion

Based on the findings above we have not identified any significant weaknesses in arrangements around the maintenance of appropriate staffing levels within the Authority.



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