

# AUDIT COMMITTEE

## NOTICE AND AGENDA

For a meeting to be held on Wednesday, 25 June 2025 at 7.30 pm at Penn Chamber, Three Rivers House, Rickmansworth, WD3 1RL.

Members of the Audit Committee:-

Councillors:

Tony Humphreys (Chair)  
Harry Davies  
Lisa Hudson  
Stephen King  
David Major

Keith Martin (Vice-Chair)  
Ciaran Reed  
Mike Sims  
Cheryl Stungo

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*Joanne Wagstaffe, Chief Executive*  
*Tuesday, 17 June 2025*

**1. APOLOGIES FOR ABSENCE**

**2. MINUTES OF PREVIOUS MEETING**

(Pages 5 - 10)

To confirm, as a correct record, the minutes of the Audit Committee meeting held on 25 March 2025.

**3. NOTICE OF ANY OTHER BUSINESS**

Items of other business notified under Council Procedure Rule 30 to be announced, together with special circumstances that justify their consideration as a matter of urgency. The Chair to rule on the admission of such items.

**4. DECLARATIONS OF INTEREST**

To receive and declarations of interest.

**5. TRDC SIAS ANNUAL ASSURANCE STATEMENT AND INTERNAL AUDIT REPORT 2024-2025**

(Pages 11 - 42)

Recommendation

Members are recommended to:

- i. Note the Annual Assurance Statement and Internal Audit Annual Report 2024/25

- ii. Note the results of the self-assessment required by the Global Internal Audit Standards (GIAS) and the Quality Assurance and Improvement Programme (QAIP)
- iii. Approve the SIAS Audit Charter 2025/26
- iv. Seek management assurance that the scope and resources for internal audit were not subject to inappropriate limitations in 2024/25

**6. TRDC EXTERNAL AUDIT PLAN AND ANNUAL AUDITOR'S REPORT 2024-2025** (Pages 43 - 104)

Recommendations

Detailed on page 23 under Improvement recommendations.

**7. Statement of Accounts Update 2024/25** (Pages 105 - 108)

Recommendation

- i. To approve the Annual Governance Statement 2024/25
- ii. To note that the Director of Finance, or the Head of Finance under delegation from the Director of Finance, will authorise for issue a draft Statement of Accounts 2024/25 for public inspection by 30 June 2025, and a period of public inspection will commence on 1 July 2025.

**8. AUDIT COMMITTEE - WORK PROGRAMME** (Pages 109 - 112)

Recommendation

That the Committee consider and makes necessary changes to its Work Programme.

**9. OTHER BUSINESS - if approved under item 3 above**

**10. EXCLUSION OF THE PRESS AND PUBLIC**

If any confidential business is approved under item 3, it will also be necessary to specify the class of exempt or confidential information in the additional item(s) and a resolution be passed in the following terms:

“that under Section 100A (4) of the Local Government Act 1972, the press and public be excluded from the meeting for the following item(s) of business on the grounds that they involve the likely disclosure of exempt information as defined under the respective paragraphs 1 to 7 of Part 1 of Schedule 12A to the Act.”

**General Enquiries: Please contact the Committee Team at**  
[committeeteam@threerivers.gov.uk](mailto:committeeteam@threerivers.gov.uk)

The Council welcomes contributions from members of the public on agenda items at the Audit Committee meetings. Details of the procedure are provided below:

For those wishing to speak:

Members of the public are entitled to register and identify which item(s) they wish to speak on from the published agenda for the meeting. Those who wish to register to speak are asked to register on the night of the meeting from 7pm. Please note that contributions will be limited to one person speaking for and one against each item for not more than three minutes.

In the event of registering your interest to speak on an agenda item but not taking up that right because the item is deferred, you will be given the right to speak on that item at the next meeting of the Committee.

Those wishing to observe the meeting are requested to arrive from 7pm.

In accordance with The Openness of Local Government Bodies Regulations 2014 any matters considered under Part I business only of the meeting may be filmed, recorded, photographed, broadcast or reported via social media by any person.

Recording and reporting the Council's meetings is subject to the law and it is the responsibility of those doing the recording and reporting to ensure compliance. This will include the Human Rights Act, the Data Protection Legislation and the laws of libel and defamation.

The meeting may be livestreamed and an audio recording of the meeting will be made.

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Three Rivers House  
Northway  
Rickmansworth  
Herts WD3 1RL

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## Audit Committee MINUTES

**Of a meeting held in the Penn Chamber, Three Rivers House, Rickmansworth, WD3 1RL on Tuesday, 25 March 2025 from 7.35 pm - 8.43 pm.**

**Present:** Councillors

Tony Humphreys (Chair)

Lisa Hudson, Ian Morris, Ciaran Reed and Mike Sims

### **Officers in Attendance:**

Alison Scott, Director of Finance  
Justin Wingfield, Head of Property Assets & Major Projects  
Anita Hibbs, Committee Officer  
Robert Thurlow, Chief Accountant  
Phil King, Data Protection and Resilience Manager  
Rebecca Young, Head of Strategy & Partnerships

### **AC41/25      APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillor Keith Martin.

### **AC42/25      MINUTES OF PREVIOUS MEETING**

The minutes of the Special Audit Committee held on 26 February 2025 were confirmed as a correct record and signed by the Chair of the meeting.

### **AC43/25      NOTICE OF ANY OTHER BUSINESS**

There were no items of other business.

### **AC44/25      DECLARATIONS OF INTEREST**

There were no declarations of interest.

### **AC45/25      TRDC SIAS PROGRESS REPORT AGAINST THE 2024-25 AUDIT PLAN**

The Director of Finance introduced the report, confirming that all audits will be completed in time for the annual governance statement.

The Head of Property Assets & Major Projects provided an update; explaining the ongoing efforts to implement a new property management system, following the audit recommendation from 2019. The officer highlighted the challenges faced since joining the Council in August 2021, including staff turnover and the need for improved record-keeping methods. A significant achievement has been the successful transition from a legacy garage management

system to the new system, which is now fully operational. The officer emphasised the importance of maintaining audit scrutiny over the system's implementation, and outlined plans to populate the system with commercial data and miscellaneous assets. A new staff member is set to join the team to assist with this effort, and the officer anticipates that by September, the system will be fully implemented.

Members raised concerns about delays attributed to insufficient data input resources and questioned whether earlier support could have expedited project completion. They also expressed concern about the sustainability of operations after the initial 12-month contract for the new hire. The officer acknowledged the validity of these concerns, explaining that previous staffing challenges contributed to delays. The officer mentioned a temporary worker who left for another opportunity, impacting progress. Looking ahead, the officer outlined a strategy to reassess the role and responsibilities of the new hire after six months, indicating a plan to adapt the position to meet evolving needs in property management.

Members addressed the potential implications of devolution on local authorities, specifically focusing on the management and export of data. The officer emphasised that regardless of the changes in governance structures, there is an expectation for the data held by authorities to be easily exportable into larger systems. While acknowledging that this transition may take years, the officer reassured that continuing current data practices will not disadvantage the authorities. The officer also pointed out that many unitary authorities tend to rely on legacy systems before fully integrating new information pooling strategies. Members further discussed the future of the Council and the effectiveness of current integration systems among neighbouring councils. Officers responded by confirming that some systems in use, like SAP for commercial properties are aligned, but acknowledged the uncertainty regarding the systems new authorities will adopt.

Members discussed the current status of the Treasury Management system, highlighting that the audit for its implementation has been cancelled due to insufficient progress. Officers confirmed improvements in the Logitech system, mentioning the recent change in Treasury Management advisors and the anticipated benefits of a new system for better forecasting. The conversation shifted to project completion rates, noting delays in two projects attributed to recruitment issues. Officers reassured that the new procurement card system is being implemented after recent training, despite previous capacity challenges within finance. The new system promises to streamline processes through technology, enhancing efficiency in financial management.

Members raised questions on the taxi licensing section of the report, pointing out the lack of updates on the taxi licensing recommendations, which had not been addressed since November 2024, and requested that the responsible officer attend the next Audit Committee meeting to provide clarity. Officers highlighted that all recommendations in question were of low priority, suggesting that while improvements are advisable, there is no immediate urgency for action.

Members also asked questions regarding the management of sundry debtors. Officers responded noting that while the debtors are not significant, steps are being taken to improve their management. An interim resource is currently reviewing the management processes to ensure effective oversight. Recent write-offs have been reported in the range of £10,000 to £20,000, which officers consider manageable, given the overall income.

Further concerns were raised regarding the delays in implementing outstanding recommendations for council tax recovery, and Members also questioned the potential cash benefit from the ongoing training. Officers responded by detailing the structural changes made to the revenue and benefits team, including a reduction in management tiers and the merging of roles to accommodate the new system. The emphasis is on maintaining service delivery while training staff, which was described as a comprehensive redesign, rather than just standard training.

The Committee also discussed the Council's current practices on debt recovery, questioning the effectiveness of chasing existing debts while referencing a recent incident where residents were notified in error of court action over negligible fines. Officers acknowledged the issue, confirming that it was an error, and explained that the Council is working with new enforcement agents to review old debts before deciding to write them off.

Councillor Tony Humphreys moved the recommendation as set out in the report.

On being put to the committee the motion was declared CARRIED by the Chair, the voting being by general assent.

RESOLVED:

Members are recommended to:

- i. Note the Internal Audit Progress Report for the period to 7 March 2025
- ii. Approve amendments to the Audit Plan as at 7 March 2025
- iii. Agree changes to the implementation date for 5 audit recommendations (paragraph 2.5) for the reason set out in Appendices 3 to 5
- iv. Agree removal of implemented audit recommendations (Appendices 3 to 5)

#### **AC46/25      SIAS INTERNAL AUDIT PLAN REPORT 2025-26**

The Director of Finance introduced the report, outlining the process of generating the internal audit plan, highlighting the role of SIAS in conducting horizon scanning to identify upcoming issues relevant to internal audit.

Councillor Tony Humphreys moved the recommendation as set out in the report.

On being put to the committee the motion was declared CARRIED by the Chair, the voting being by general assent.

RESOLVED:

- i. Members are recommended to approve the proposed Three Rivers District Council and the Watford & Three Rivers Shared Service Internal Audit Plans for 2025/26
- ii. Members are requested to note the SIAS Internal Audit Strategy and provide any comments prior to approval by the SIAS Board

#### **AC47/25      STATEMENT OF ACCOUNTS UPDATE 2024/25**

The Chief Accountant introduced the report, outlining the accounting policies for 2024-2025. The officer highlighted the changes to the local audit system, including the establishment of a new Local Audit Office and the implications of recent regulatory changes. Key points include the revised statutory deadlines for the draft accounts, the approval process for the annual government statement, and the introduction of new accounting standards such as IFRS 16.

Councillor Tony Humphreys moved the recommendation as set out in the report.

On being put to the committee the motion was declared CARRIED by the Chair, the voting being by general assent.

RESOLVED:

- i. To note the update in relation to the 2024/25 Statement of Accounts timeframes.

- ii. To ratify the draft Accounting Policies for 2024/25 as approved by the Director of Finance as set out in Appendix 1.
- iii. To note the changes with the Financial Reporting Council local audit system leadership and the establishment of a Local Audit Office.

#### **AC48/25      RISK MANAGEMENT STRATEGY AMENDMENT**

The Head of Strategy & Partnerships introduced the report, highlighting the research involved examining practices of other local authorities to determine if Green belt should be categorised as a distinct risk. Ultimately, the recommendation is to maintain the current risk management strategy without amendments, which had already been reviewed and approved by the Audit Committee, Policy & Resources Committee, and Full Council in December 2024.

Members emphasised the importance of prioritising Green belt protection over government housing targets in local planning. They highlighted a historical disconnect between officer recommendation and Member priorities regarding Green belt preservation. Furthermore, Members added that residents are increasingly concerned about threats to the Green belt, and therefore they advocate for adding a column in the risk register to assess risks to the Green belt, asserting that this would align officer priorities with Member and community concerns. Officers responded by pointing out that certain risks, particularly financial ones, do not directly affect the Green belt, suggesting that including the Green belt on the risk register might skew the perception of other risks. Members countered however, that protecting the Green belt should be the top priority, and should be tracked in the risk register. They argued that even if assessments often show no impact, the Council should still prioritise Green belt issues. Officers questioned the feasibility of quantifying Green belt loss as an impact classification, and explained that while service disruptions and financial losses are quantifiable, the implications of losing Green belt land are less clear, and suggested that a strategic risk assessment for losing Green belt could be more effective. Members responded by emphasising the importance of distinguishing Green belt from general environmental concerns, arguing for a more precise measurement of Green belt loss based on square footage or percentage. Furthermore, Members argued that by adding the risk to Green belt as a category would support efforts to limit housing development in the Green belt, which is a significant concern for the community. Officers reassured that the recommendation will be sent to the policy-making committee for approval, and officers will explore risk categories further, including environmental options.

Councillor Mike Sims proposed an amendment to the recommendation, seconded by Councillor Ciaran Reed, that; *'risk to Green belt' is to be added to the risk register as a category.*

On being put to the committee the motion was declared CARRIED by the Chair, the voting being by general assent.

RESOLVED:

That:

- i. The Council's Risk Management Strategy is adopted.
- ii. The Committee agrees to give delegated Authority to Associate Director of Corporate, Customer and Community to authorise minor changes to the policy, such as terminology, clarification, or administrative corrections with no significant impact.

And;

- iii. *'Risk to Green belt' is to be added to the risk register as a category as per the agreed amendment.*



## **AC49/25      FINANCIAL AND BUDGETARY RISKS**

The Director of Finance introduced the report, advising that the 2025-2026 budget has been broadly approved and is balanced, but highlighted a project gap in the following years due to the assumptions regarding fair funding reforms. The officer mentioned the Local Government Reorganisation (LGR) and advised that it had been added to the risk register.

Members enquired about the increasing risk related to pay awards, to which the officer responded by explaining that this risk is higher in the beginning of the year due to pending agreements. Furthermore, Members raised concerns about the potential for delayed pay negotiations, which could keep the risk elevated for a longer period. The officer responded by stating that it is likely that negotiations will drag again, and the risk will remain high on the risk register until there is clarity on the outcome of the negotiations.

The Committee noted and commented on the risk register.

RESOLVED:

That:

That the Committee review the risk register and make any comments it wishes to make against individual risks.

## **AC50/25      WORK PROGRAMME**

Members discussed the current situation regarding risks faced by the Council, particularly focusing on reputational and financial risks, and enquired about which risk register the impact of political instability will be added to. Officers confirmed that it will be part of the strategic risk register, which will be discussed at the September Policy & Resources Committee meeting.

The Director of Finance requested feedback from the Committee whether they are happy with the current format for training or would prefer to change to a virtual format, possibly a few days prior to the committee meetings, might be more effective. The officer encouraged the committee members to consider this suggestion and provide feedback outside of the meeting.

The Committee noted the work programme.

RESOLVED:

That the Committee consider and makes necessary changes to its Work Programme.

## **AC51/25      OTHER BUSINESS - IF APPROVED UNDER ITEM 3 ABOVE**

There were no items of other business.

## **AC52/25      EXCLUSION OF THE PRESS AND PUBLIC**

**CHAIR**

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**Three Rivers District Council**  
**2024/25 Annual Assurance Statement and Internal Audit**  
**Annual Report**

**Audit Committee 25 June 2025**

**Recommendations**

Members are recommended to:

Note the Annual Assurance Statement and Internal Audit  
Annual Report 2024/25

Note the results of the self-assessment required by the  
Global Internal Audit Standards (GIAS) and the Quality  
Assurance and Improvement Programme (QAIP)

Approve the SIAS Audit Charter 2025/26

Seek management assurance that the scope and resources  
for internal audit were not subject to inappropriate limitations  
in 2024/25

## **Contents**

1. Purpose and Background
  - 1.1 Purpose
  - 1.2 Background
2. Annual Assurance Statement for 2024/25
  - 2.1 Assurance Opinion on Internal Control
  - 2.2 Context
  - 2.3 Control Environment
  - 2.4 Review of Effectiveness - compliance with the GIAS and QAIP
  - 2.12 Confirmation of independence of internal audit and assurance on limitations
  - 2.13 Assurance Opinion on Corporate Governance and Risk Management
3. Overview of Internal Audit Activity at the Council in 2024/25
4. Performance of the Internal Audit Service in 2024/25
  - 4.1 Performance Indicators
  - 4.2 Service Developments
5. Audit Charter 2025/26

## **Appendices**

- A Final position against the Council's 2024/25 Audit Plan
- B Definitions of Assurance Recommendation Priority Levels 2024/25
- C Position against Global Internal Audit Standards as at May 2025
- D Internal Audit Charter 2025/26

## **1. Purpose and Background**

### Purpose of Report

#### **1.1 This report:**

- a) Details the Shared Internal Audit Service's (SIAS) overall opinion on the adequacy and effectiveness of Three Rivers District Council's (the Council) framework of governance, risk management and control. Reference is made to significant matters and key themes.
- b) Shows the outcomes of the self-assessment against the Global Internal Audit Standards (GIAS) incorporating the requirements of the Quality Assurance and Improvement Programme (QAIP).
- c) Summarises the internal audit work that informs this opinion.
- d) Shows SIAS performance in respect of delivering the Council's internal audit plan.
- e) Presents the 2025/26 Audit Charter for approval.

### Background

- 1.2 The purpose of internal audit is to strengthen the Council's ability to create, protect, and sustain value by providing Members and management with independent, risk-based, and objective assurance, advice, insight, and foresight.
- 1.3 A key duty of the Chief Audit Executive (CAE - the Council's Client Audit Manager) is to provide an annual internal audit opinion, concluding on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control. This opinion informs the conclusions of the Council's Annual Governance Statement.
- 1.4 The assurance opinion in this report is based on the 2024/25 internal audit work which was planned and amended to give sufficient assurance on the Council's management of its key risks. Also considered is any relevant work undertaken in 2025/26 before the Audit Committee report deadline.
- 1.5 The audit plan remained dynamic during the year, with plan changes made to reflect the changing risks of the Council, or pace of transformation or change that would impact on the value of audits originally included in the plan. All plan changes during 2024/25 were communicated to, and approved by, the Audit Committee with the quarterly SIAS progress reports.
- 1.6 The International Professional Practices Framework (IPPF) organises the authoritative body of knowledge for the professional practice of internal auditing. The IPPF includes Global Internal Audit Standards (GIAS), Topical Requirements (designed to enhance the consistency and quality of internal audit services related to specific audit subjects) and Global Guidance. The Public Sector Internal Audit Standards, which encompassed the mandatory elements of the IPPF, have been replaced

## Annual Assurance Statement and Internal Audit Annual Report - Three Rivers District Council

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by the Application Note Global Internal Audit Standards in the UK Public Sector.

- 1.7 Taken together, the GIAS and the Application Note form the basis of UK public sector internal audit effective from 1 April 2025. The Note states that a professional, independent, and objective internal audit service is one of the key elements of good governance, as recognised throughout the UK public sector.
- 1.8 When the Global Institute of Internal Auditors published the GIAS, it recognised that in the public sector, governance structures, other laws or regulations may impact on how the essential conditions can be applied. This is the case in UK local government. The GIAS itself provides for the CAE to reach agreement with those in governance roles and senior management on alternative conditions that still allow for conformance with the GIAS. The CIPFA Code of Practice for the Governance of Internal Audit in UK Local Government provides the route to satisfying the essential conditions in the GIAS in the UK public sector, tailored for UK local government. The Application Note and GIAS in the UK public sector directs the local government sector bodies to apply this Code.
- 1.9 The GIAS (UK Public Sector) sets out matters that SIAS must report to the Audit Committee. SIAS conform with these requirements through inclusion in the Annual Assurance Statement and Internal Audit Annual Report 2024/25. The summarised requirements that SIAS must adhere to are set out below:

Standard	Description
Domain III 6.1	<b>Internal Audit Mandate</b> The Chief Audit Executive (CAE) must provide the board and senior management with the information necessary to establish the internal audit mandate. The internal audit charter must include the legal requirements of the mandate.
Domain III 6.2	<b>Internal Audit Charter</b> The CAE must develop and maintain an internal audit charter that specifies, at a minimum, the internal audit function's: <ul style="list-style-type: none"><li>• Purpose of Internal Auditing.</li><li>• Commitment to adhering to the Global Internal Audit Standards.</li><li>• Mandate, including scope and types of services to be provided, and the board's responsibilities and expectations regarding management's support of the internal audit function.</li><li>• Organisational position and reporting relationships.</li></ul>
Domain III 7.1	<b>Organisational Independence</b> The CAE must confirm to the board the organisational independence of the internal audit function at least annually. This includes communicating incidents where independence may have been impaired, and the actions or safeguards employed to address the impairment.

**Annual Assurance Statement and Internal Audit Annual Report -  
Three Rivers District Council**

Domain III 7.2	<b>CAE Qualifications</b> The CAE must maintain and enhance the qualifications and competencies necessary to fulfil the roles and responsibilities expected by the board.
Domain III 8.1	<b>Board Interaction</b> The CAE must provide the board with the information needed to conduct its oversight responsibilities. The CAE must report to the board and senior management: <ul style="list-style-type: none"> <li>• Changes potentially affecting the mandate or charter</li> <li>• Potential impairments to independence.</li> <li>• Results of internal audit services, including conclusions, themes, assurance, advice, insights, and monitoring results</li> <li>• Results from the quality assurance and improvement program.</li> </ul>
Domain III 8.3	<b>Quality</b> The CAE must develop, implement, and maintain a quality assurance and improvement program that covers all aspects of the internal audit function. The program includes two types of assessments: <ul style="list-style-type: none"> <li>• External assessments.</li> <li>• Internal assessments.</li> </ul> At least annually, the CAE must communicate the results of the internal quality assessment to the board and senior management. The results of the external quality assessments must be reported when completed. In both cases, such communications include: <ul style="list-style-type: none"> <li>• The internal audit function's conformance with the Standards and achievement of performance objectives.</li> <li>• If applicable, compliance with laws and/or regulations relevant to internal auditing.</li> <li>• If applicable, plans to address the internal audit function's deficiencies and opportunities for improvement.</li> </ul>
Domain III 8.4	<b>External Quality Assessment</b> The CAE must develop a plan for an external quality assessment and discuss the plan with the board. The external assessment must be performed at least once every five years by a qualified, independent assessor or assessment team.
Domain IV 9.3	<b>Methodologies</b> The CAE must establish methodologies to guide the internal audit function in a systemic and disciplined manner to implement the internal audit strategy, develop the internal audit plan, and conform with the Standards.
Domain IV 11.3	<b>Communicating Results</b> The CAE must communicate the results of internal audit services to the board and senior management periodically and for each

**Annual Assurance Statement and Internal Audit Annual Report -  
Three Rivers District Council**

	<p>engagement as appropriate. The CAE must understand the expectations of the board and senior management regarding the nature and timing of communications. The results of internal audit services can include:</p> <ul style="list-style-type: none"> <li>• Engagement conclusions.</li> <li>• Themes such as effective practices or root causes.</li> <li>• Conclusions at the level of the business unit or organisation.</li> </ul>
Domain IV 12.1	<p><b>Internal Quality Assessment</b></p> <p>The CAE must develop and conduct internal assessments of the internal audit function's conformance with the Global Internal Audit Standards and progress toward performance objectives. The CAE must establish a methodology for internal assessments that includes:</p> <ul style="list-style-type: none"> <li>• Ongoing monitoring of the internal audit function's conformance with the Standards and progress toward performance objectives.</li> <li>• Periodic self-assessments or assessments by other persons within the organisation with sufficient knowledge of internal audit practices to evaluate conformance with the Standards.</li> <li>• Communication with the board and senior management about the results of internal assessments.</li> </ul>
Domain IV 15.2	<p><b>Confirming the Implementation of Recommendations or Action Plans</b></p> <p>Internal auditors must confirm that management has implemented internal auditors' recommendations or management's action plans following an established methodology, which includes:</p> <ul style="list-style-type: none"> <li>• Inquiring about progress on the implementation.</li> <li>• Performing follow-up assessments using a risk-based approach.</li> <li>• Updating the status of management's actions in a tracking system.</li> </ul>

1.10 Section 2 of this report details how SIAS complies with these requirements.

1.11 SIAS is grateful for the co-operation and support it has received from client officers during 2024/25.



## 2. Annual Assurance Statement 2024/25

### Assurance opinion on internal control

- 2.1 Based on the internal audit work undertaken at the Council in 2024/25, SIAS can provide the following opinion on the adequacy and effectiveness of the Council's control environment.

Our overall opinion is **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.

We have provided further context on our assurance opinion, including the internal control design and operation elements, at paragraphs 3.3 to 3.6 below as part of our Overview of Internal Audit Activity at the Council in 2024/25.

### Context

#### *Scope of responsibility*

- 2.2 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*

- 2.3 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 completely eliminate it. A robust control environment helps ensure that the Council's policies, priorities, and objectives are achieved.

#### *Review of effectiveness*

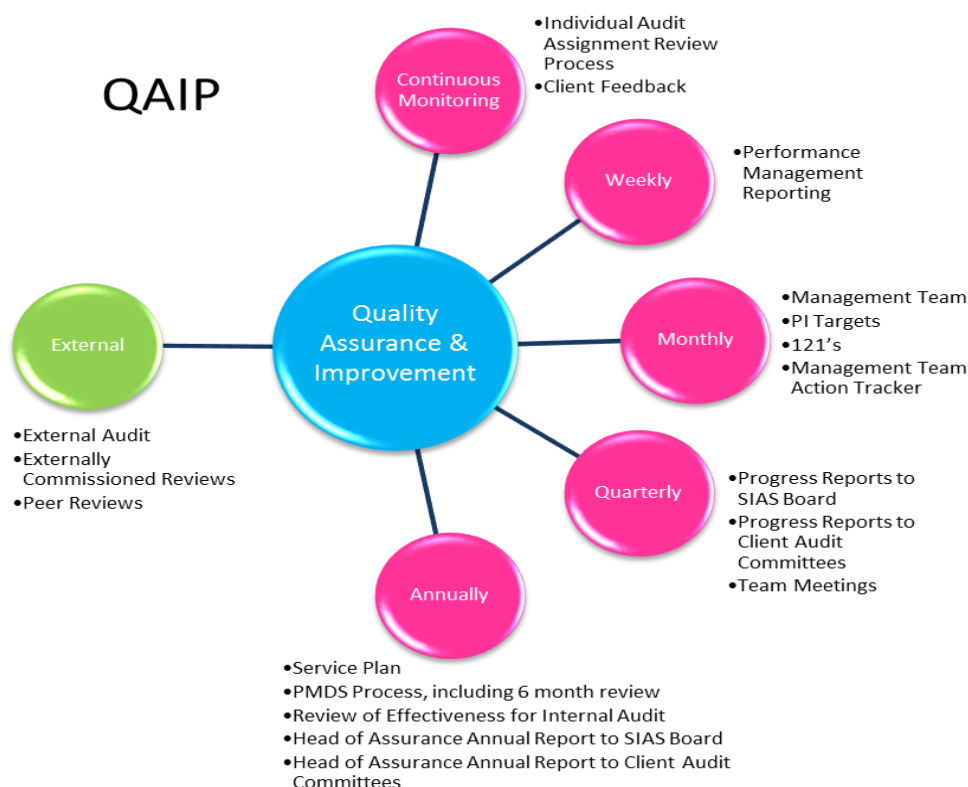
- 2.4 The CAE must confirm annually that the internal audit function is suitably qualified to carry out the work that informs the assurance opinion. This includes that the CAE maintains and enhance their own qualifications and competences. SIAS can confirm that the service is suitably resourced and qualified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

## **Annual Assurance Statement and Internal Audit Annual Report - Three Rivers District Council**

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- 2.5 As part of our Quality Assurance and Improvement Programme, an internal quality self-assessment was conducted to review our conformance with the Global Internal Audit Standards (GIAS).
- 2.6 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. This review was completed in June 2021 (the previous review being undertaken in 2015/16), with the result of the assessment reported to the Audit Committee in December 2021.
- 2.7 Based on the results of the 2024/25 GIAS self-assessment, the CAE has concluded that SIAS 'generally conforms' with the GIAS (UK Public Sector).
- 2.8 The self-assessment identified one area of continued agreed non-conformance in relation to the role of the Board (Audit Committee) in relation to the appointment, removal, performance management and remuneration of the CAE, this reflecting the unique nature of a shared service or partnership arrangement. A further five areas were also highlighted within the self-assessment where, whilst we assessed SIAS as conforming to the GIAS, we will undertake further work during 2025/26 to improve the evidence held to demonstrate compliance.
- 2.9 A summary of the outcomes of the GIAS self-assessment are detailed in Appendix C. There are no significant deviations from these Standards, or the Public Sector Internal Audit Standards that were in place during 2024/25, which warrant inclusion in the Council's Annual Governance Statement.
- 2.10 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 diagram below details the methods used to monitor and report on these. Detailed information outlining activity in each area is contained in the SIAS Audit Manual.

## Annual Assurance Statement and Internal Audit Annual Report - Three Rivers District Council



2.11 The Head of Assurance confirms that during 2024/25 SIAS operated according to its QAIP with evidence available within the service to support the achievement of each QAIP element.

2.12 The CAE confirms that during the year:

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

2.13 SIAS has concluded that the corporate governance and risk management frameworks substantially comply with the CIPFA/SOLACE best practice guidance on corporate governance. This conclusion is based on the work undertaken by the Council and reported in its Annual Governance Statement for 2024/25. Although no specific reviews of corporate governance or risk management were carried out by SIAS during the year, risk management arrangements are considered during annual audit planning and delivery of individual assignments.

Leigha Britnell  
**Client Audit Manager**  
**June 2025**

### 3. Overview of Internal Audit Activity at the Council in 2024/25

- 3.1 This section summarises work undertaken at the Council by SIAS in 2024/25. It highlights any significant internal control matters and opportunities for improvement.
- 3.2 Appendix A shows the final position against the agreed revised audit plan, assurance levels and the number of recommendations made. A summary of assurance levels and recommendation priorities is shown in the tables below (2023/24 data in brackets).

Assurance Level	Number of reports 2024/25 (2023/24 data in brackets)	Percentage of reports 2024/25 (2023/24 data in brackets)
Substantial	5 (3)	28% (16%)
Reasonable	9 (13)	50% (69%)
Limited	1 (0)	6% (0%)
No	0 (0)	0% (0%)
Not Assessed	2 (1)	10% (5%)
Unqualified	1 (2)	6% (10%)
Qualified	0 (0)	0% (0%)
Not Complete	0 (0)	0% (0%)
Total	<b>18 (19)</b>	<b>100% (100%)</b>

Recommendation Priority Level	Number of recommendations 2024/25 (2023/24 data in brackets)	Percentage of recommendations made 2024/25 (2023/24 data in brackets)
Critical	0 (0)	0% (0%)
High	1 (0)	2% (0%)
Medium	21 (23)	37% (56%)
Low / Advisory	35 (18)	61% (44%)
Total	<b>57 (41)</b>	<b>100% (100%)</b>

- 3.3 **The Reasonable assurance opinion overall on the Council's systems** (reasonable assurance provided in 2023/24) has been concluded from the 16 audits and two consultancy activities undertaken during 2024/25. In respect of the one grant verification, an unqualified opinion was given. In respect of assurance reviews, five received a Substantial Assurance opinion, eight received Reasonable Assurance opinions and one received a Limited Assurance opinion.

## Annual Assurance Statement and Internal Audit Annual Report - Three Rivers District Council

Overall Assurance Opinion	Element	Opinion	Definition of Opinion
<b>Reasonable Assurance</b>	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.

- 3.4 In respect of the one area that received a Limited assurance (Asset Management Systems) 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.

### Audit Recommendations

- 3.5 Through the recommendations follow up process for 2024/25, the CAE can confirm that one high priority recommendation remains outstanding, as reported to this Audit Committee in March 2025. The recommendation relates to the systems for the review of end dates for Council Tax exemptions and discounts, with agreed actions delayed in implementation whilst the service undergoes transformation and reskills its officers.

### Communicating Results

- 3.6 Throughout the year the CAE communicated the results of internal audit services to the Audit Committee and senior management quarterly. The results included the progress of audit service against the agreed plan, performance against targets and the engagement conclusions.

## 4. Performance of the Internal Audit Service in 2024/25

### Performance indicators

- 4.1 The table below compares SIAS's performance at the Council against the 2024/25 targets set by the SIAS Board.

Indicator	Target 2024/25	Actual to 31 March 2025	Notes
<b>1. Planned Days</b> – percentage of actual billable days against planned chargeable days completed (excludes unused contingency)	95%	95%	194 days delivered out of the 204 days planned
<b>2. Planned Projects</b> – percentage of actual completed projects to draft report stage against planned completed projects by 31 <sup>st</sup> March 2025	90%	89%	16 projects to draft or final report from the 18 projects planned
<b>3. Planned Projects</b> – percentage of actual completed projects to final report stage against planned completed projects by the production of the Annual Report	100%	100%	18 projects to final report from the 18 projects planned (see Appendix A)
<b>4. Client Satisfaction</b> – percentage of client satisfaction questionnaires returned at 'satisfactory' level	100%	100%	Based on 5 questionnaires received in the year
<b>5. Number of High and Critical Priority Audit Recommendations</b> – agreed as a percentage	95%	100%	1 'High' priority recommendation made and agreed
<b>6. Annual Plan</b> – prepared in time to present to the March meeting of Audit Committee. If there is no March meeting, then the Plan should be prepared for the first meeting of the financial year.	Achieved	Achieved	Presented in March 2025
<b>7. Head of Assurance's Annual Report</b> – presented at the first Audit Committee meeting of the financial year.	Deadline met	Met	The 2023/24 Annual Report was presented to the May 2024 Audit Committee

Service Developments

4.2 During 2024/25 the main service and development activities for SIAS included:

- a) **Recruitment** – Despite operating in a challenging recruitment market, SIAS have achieved some success in filling our vacancies. Two Trainee Auditors were recruited in January 2025, and three Trainee Auditors were promoted to Auditor level in November 2024 and January 2025
- b) **Training & Development** – As a service, we continue to adopt our ‘grow your own strategy’ to provide the future talent for the Service and improve succession planning, in what remains a challenging recruitment market. Several members of the team have had a successful year in respect of progressing their professional qualifications. Two Auditors have recently completed their level 4 internal audit apprenticeship. A further four Auditors have passed their IA practitioner qualification. In addition to the professional training above, the SIAS management team continued to deliver a programme of lite bite training sessions linked to modern professional practice.
- c) **Commercial Strategy** – In 2023/24 the SIAS Partnership Board agreed to plans for growing the service through new business, this was driven by the need to minimise inflationary pressures for existing partners. SIAS secured their first new customer during 2024/25, with a further two new customers also secured for the 2025/26 financial year and income generation targets on track to be achieved. A key principle within SIAS’s strategy is to ensure that growth is undertaken on an incremental basis to protect both the capacity and capabilities of SIAS to deliver our core assurance services to SIAS partners. This was achieved during 2024/25 with key performance indicators for SIAS partners being met. In respect of governance, clear delegation structures have been agreed in relation to decision making for assessing new opportunities and a suite of key performance indicators have been agreed which are reported to the SIAS Partnership Board on a quarterly basis to support oversight and challenge of delivery and rates of return.
- d) **Audit Practice** – as part of our continued work to adopt best practice from across the profession and to implement the new GIAS our audit plans for 2024/25 included time allocations for the rolling out of new approaches to obtaining and providing assurance, including assurance mapping and embedded (or continuous) assurance. A new audit report was also developed and rolled out, including the new GIAS requirement to analyse the Root Cause of findings.

## **5. Audit Charter 2025/26**

- 5.1 The GIAS require a local authority to formally adopt an Audit Charter which covers the authority and responsibility for an internal audit function.
- 5.2 The SIAS Audit Charter sets out the framework within which it discharges its internal audit responsibilities to those charged with governance in the partner councils. It details the permanent arrangements for internal audit and key governance roles and responsibilities to ensure the effectiveness of internal audit provision.
- 5.3 The Audit Charter is reviewed annually. Amendments were made in May 2024 to align the Audit Charter with the GIAS (Public Sector). The review in May 2025 did not result in any changes and the 2025/26 Charter is attached at Appendix D.



## APPENDIX A – FINAL POSITION AGAINST THE COUNCIL’S 2024/25 AUDIT PLAN

### Three Rivers District Council Audit Plan – 2024/25

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS				AUDIT PLAN DAYS	STATUS/COMMENT
		C	H	M	LA		
Key Financial Systems							
Council Tax (Shared Services Plan)	Reasonable	0	1	0	1	10	Final Report Issued
Business Rates (Shared Services Plan)	Reasonable	0	0	2	0	10	Final Report Issued**
Payroll (Shared Services Plan)	Substantial	0	0	0	1	12	Final Report Issued*
Procurement Cards (Shared Services Plan)	n/a - Consultancy	0	0	0	0	6	Final Report Issued*
Procurement Act	Reasonable	0	0	2	3	7	Final Report Issued*
Operational Audits							
Democratic Services	Reasonable	0	0	0	5	9	Final Report Issued*
Disabled Facilities Grants	Reasonable	0	0	1	4	9	Final Report Issued
Public Health Funerals	Reasonable	0	0	2	5	8	Final Report Issued
Homelessness	Substantial	0	0	0	0	8	Final Report Issued
Asset Management System (inc Garages Follow Up)	Limited	0	0	7	5	9	Final Report Issued
Parks, Open Spaces and Woodland Management Plans	Reasonable	0	0	3	2	8	Final Report Issued

## APPENDIX A – FINAL POSITION AGAINST THE COUNCIL’S 2024/25 AUDIT PLAN

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS				AUDIT PLAN DAYS	STATUS/COMMENT
		C	H	M	LA		
Community Safety	Reasonable	0	0	0	4	9	Final Report Issued**
<b>Corporate Services</b>							
SARs, EIRs and FOI Requests	Substantial	0	0	0	2	11	Final Report Issued*
Assurance Mapping	n/a - Consultancy	0	0	0	0	10	Final Report Issued*
<b>Grant Certifications</b>							
SHDF Wave 2.1 Grant	Unqualified	0	0	0	0	1	Final Report Issued
<b>IT Audits</b>							
IT Project Management (Shared Services Plan)	Substantial	0	0	0	1	10	Final Report Issued
IT Service Desk Contract Management (Shared Services Plan)	Substantial	0	0	0	2	8	Final Report Issued
Cyber Security (Shared Services Plan)	Reasonable	0	0	2	0	15	Final Report Issued*
<b>To Be Allocated</b>							
Unused Contingency (Shared Services Plan)	-	-	-	-	-	0	-
<b>Follow Up Audits</b>							
Follow-up of outstanding audit recommendations	-	-	-	-	-	8	Complete

## APPENDIX A – FINAL POSITION AGAINST THE COUNCIL’S 2024/25 AUDIT PLAN

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS				AUDIT PLAN DAYS	STATUS/COMMENT
		C	H	M	LA		
Strategic Support							
2025/26 Audit Planning	-	-	-	-	-	5	Complete
Audit Committee	-	-	-	-	-	8	Complete
Head of Internal Audit Opinion 2024/25	-	-	-	-	-	3	Complete
Monitoring and Client Meetings	-	-	-	-	-	7	Complete
SIAS Development & Global Internal Audit Standards	-	-	-	-	-	3	Complete
2024/25 Projects Requiring Completion							
2024/25 Projects Requiring Completion (5 days TRDC plan / 5 days Shared Services Plan)	-	-	-	-	-	10	Complete
THREE RIVERS DISTRICT COUNCIL TOTAL	-	0	0	13	27	121	-
SHARED SERVICES TOTAL	-	0	1	6	8	83	-
COMBINED TOTAL	-	0	1	21	35	204	-

\* At Draft Report stage 31 March 2025, Final Report issued after year end.

\*\* Draft Report issued after 31 March 2025.

Key to Recommendation Priority Levels: C = Critical priority recommendations; H = High priority recommendations; M = Medium priority recommendations; LA = Low/Advisory priority recommendations.

## APPENDIX B – DEFINITIONS OF ASSURANCE AND RECOMMENDATION PRIORITY LEVELS 2024/25

Audit Opinions		
Assurance Level		Definition
Assurance Reviews		
<b>Substantial</b>		A sound system of governance, risk management and control exist, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
<b>Reasonable</b>		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.
<b>Limited</b>		Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
<b>No</b>		Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.
<b>Not Assessed</b>		This opinion is used in relation to consultancy or embedded assurance activities, where the nature of the work is to provide support and advice to management and is not of a sufficient depth to provide an opinion on the adequacy of governance or internal control arrangements. Recommendations will however be made where required to support system or process improvements.
Grant / Funding Certification Reviews		
<b>Unqualified</b>		No material matters have been identified in relation the eligibility, accounting and expenditure associated with the funding received that would cause SIAS to believe that the related funding conditions have not been met.
<b>Qualified</b>		Except for the matters identified within the audit report, the eligibility, accounting and expenditure associated with the funding received meets the requirements of the funding conditions.
<b>Disclaimer Opinion</b>		Based on the limitations indicated within the report, SIAS are unable to provide an opinion in relation to the Council's compliance with the eligibility, accounting and expenditure requirements contained within the funding conditions.
<b>Adverse Opinion</b>		Based on the significance of the matters included within the report, the Council have not complied with the funding conditions associated with the funding received.
Recommendation Priority Levels		
Priority Level		Definition
Corporate	<b>Critical</b>	Audit findings which, in the present state, represent a serious risk to the organisation as a whole, i.e. reputation, financial resources and / or compliance with regulations. Management action to implement the appropriate controls is required immediately.
	<b>High</b>	Audit findings indicate a serious weakness or breakdown in control environment, which, if untreated by management intervention, is highly likely to put achievement of core service objectives at risk. Remedial action is required urgently.
Service	<b>Medium</b>	Audit findings which, if not treated by appropriate management action, are likely to put achievement of some of the core service objectives at risk. Remedial action is required in a timely manner.
	<b>Low</b>	Audit findings indicate opportunities to implement good or best practice, which, if adopted, will enhance the control environment. The appropriate solution should be implemented as soon as is practically possible.

## APPENDIX C – POSITION AGAINST GLOBAL INTERNAL AUDIT STANDARDS AT MAY 2025 – ACTION PLAN

**Section A: Conformance** - During 2024/25 all areas apart from those identified in Section B below were conforming.

During 2024/25 all areas apart from those identified below were conforming.

Domain	Standard	Requirement (Summary or relevant extract)	Self- Assessment Outcome	Commentary	Action Proposed	Target Date
II	2.1 – Individual Objectivity	Professional objectivity requires internal auditors to apply an impartial and unbiased mindset and make judgments based on balanced assessments of all relevant circumstances. Internal auditors must be aware of and manage potential biases.	Improvement in documentation to evidence conformance	<p>All SIAS staff complete annual conflicts of interest declarations, those team members completing professional studies have exposure to objectivity requirements and our Internal Audit Charter has the required section on objectivity.</p> <p>However further training could be provided to staff to increase awareness of wider impairments to objectivity. In addition, assessments to review any potential impairments at the outset of an audit basis could be improved.</p>	<p>A specific training session on impairments to objectivity will be included within the SIAS Lite Bite training schedule for team members.</p> <p>Audit working papers will be updated to include a requirement for the auditor assigned to confirm that they do not have any conflicts of interest or impairments in relation to the area of audit.</p>	August 2025
II	5.2 – Protection of Information	Internal auditors must be aware of their responsibilities for protecting information and demonstrate respect for the confidentiality, privacy, and ownership of information acquired when performing internal audit services or as the result of professional relationships.	Improvement in documentation to evidence conformance	SIAS team members are made aware of the importance of protecting the confidentiality and privacy of information throughout induction and during training sessions. Whilst all SIAS staff are required to follow the host authority's Code of Conduct and Data Protection guidance, the introduction of a declaration for completion at the outset of employment would add further strength to existing arrangements. Our Internal Audit	All existing SIAS staff and any new employees will be required to complete a declaration to confirm that they understand their responsibilities for protecting information and maintaining confidentiality.	August 2025

## APPENDIX C – POSITION AGAINST GLOBAL INTERNAL AUDIT STANDARDS AT MAY 2025 – ACTION PLAN

Domain	Standard	Requirement (Summary or relevant extract)	Self-Assessment Outcome	Commentary	Action Proposed	Target Date
				Charter has the required section on confidentiality.		
III  Page 30	7.1 – Organisational Independence	<p>Board Authorise the appointment and removal of the chief audit executive. Provide input to senior management to support the performance evaluation and remuneration of the chief audit executive.</p> <p>Senior Management • Provide input to the board on the appointment and removal of the chief audit executive. • Solicit input from the board on the performance evaluation and remuneration of the chief audit executive.</p>	Current Intentional Non-Conformance	<p>The Head of SIAS, Hertfordshire County Council (HCC), in consultation with the Board of the Shared Internal Audit Services approves decisions relating to the appointment and removal of the CAE in compliance with human resources policies and procedures of HCC as host authority for the shared service.</p> <p>This is as provided for in the governance of the Shared Internal Audit Service.</p> <p>The performance appraisal of the CAE is carried out by the Head of SIAS (HCC).</p>	As part of the Client Audit Manager's annual performance appraisal, the Chief Executive and Chair of the Audit Committee will be invited to provide input to the process.	March 2026
III	8.4 – External Quality Assessment (EQA)	<p>Board • Discuss with the CAE the plans to have an EQA of the Internal audit function conducted by an independent, qualified assessor or assessment team. • Collaborate with senior management and the chief audit</p>	Not assessed as not yet due - seeking further guidance and clarification.	Currently, the arrangements for the oversight of the required five-yearly EQA, including all approvals, commissioning, outcomes and completion of resulting actions are managed by SIAS and overseen by the SIAS Board, as the best way of managing the process within our shared services arrangements. There were brief	Alongside applying the new GIAS and Application Note: GIAS in the UK Public Sector within our shared service arrangements, we are cognisant of CIPFA's Code of Practice for the Governance of Internal Audit in UK Local	To be confirmed

## APPENDIX C – POSITION AGAINST GLOBAL INTERNAL AUDIT STANDARDS AT MAY 2025 – ACTION PLAN

Domain	Standard	Requirement (Summary or relevant extract)	Self-Assessment Outcome	Commentary	Action Proposed	Target Date
Page 31		<p>executive to determine the scope and frequency of the EQA.</p> <ul style="list-style-type: none"> <li>• Review and approve the CAE's plan for the performance of an EQA.</li> <li>• Require receipt of the complete results of the EQA or self-assessment with independent validation directly from the assessor.</li> <li>• Review and approve the CAE's action plans to address identified deficiencies and opportunities for improvement.</li> <li>• Approve a timeline for completion of the action plans and monitor the CAE's progress.</li> </ul>		updates to all our individual partner Audit Committees on the pending 2021 EQA, as well as reporting on the outcomes of the last EQA within the SIAS progress reports.	<p>Government.</p> <p>Subject to any clarification from CIPFA, we will look to share the plan for the next EQA due in 2026 with our partner Audit Committees, including the scope, options and suggested timing, as well as the SIAS Board's agreement on assessor and method of assessment.</p> <p>We will also share the results of the assessment, the chief audit executives action plan to address any recommendations and updates on implementation of recommendations. The SIAS Board will continue to provide the overarching monitoring and oversight of these.</p>	
	V	15 - Communicate Engagement Results and Monitor Action Plans	Improvement in documentation to evidence conformance	Internal audit reports currently include references to issues that may have impacted on coverage, where these limit the ability to provide an assurance opinion on areas included within the Terms of Reference. However, the existing audit report template	A standard section, to provide details where engagements are not conducted in accordance with standards, will be created and made available for inserting into the	August 2025

## APPENDIX C – POSITION AGAINST GLOBAL INTERNAL AUDIT STANDARDS AT MAY 2025 – ACTION PLAN

Domain	Standard	Requirement (Summary or relevant extract)	Self-Assessment Outcome	Commentary	Action Proposed	Target Date
		conformance: • Standard(s) with which conformance was not achieved. • Reason(s) for non-conformance. • Impact of nonconformance on the engagement findings and conclusions.		would benefit from an optional section to include should any engagement not be conducted in conformance with the GIAS.	SIAS audit report template in the exceptional instances where it is required.	
to V Page 32	General	Audit Manual	Improvement in documentation to evidence conformance	The GIAS reference key requirements in relation to the structure, approach and documentation of the audit function and process. Whilst we are satisfied that the key elements are followed in practice, the SIAS Audit Manual requires updating to ensure that these are fully referenced.	During 2025/26, the SIAS Audit Manual will be updated to ensure that it fully details the structures, systems and processes that SIAS has in place to comply with the GIASs.	March 2026





# SIAS Audit Charter 2025/2026

## 1. Introduction and Purpose

- 1.1. Internal auditing is an independent and objective assurance and consulting activity. It is guided by a philosophy of adding value to the operations of an organisation. It assists a council in achieving its objectives and ultimately provides assurance to the public by systematically evaluating and improving the effectiveness and efficiency of risk management, control, and governance processes.
- 1.2. The purpose of the Shared Internal Audit Service (SIAS) is to provide independent, objective assurance and consulting services designed to add value and improve client operations. The mission of internal audit is to enhance and protect organisational value by providing risk-based and objective assurance, advice, and insight. SIAS helps clients accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.

## 2. Statutory Basis of Internal Audit

- 2.1. Local government is statutorily required to have an internal audit function. The Accounts and Audit Regulations 2015 require that 'a relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance'.
- 2.2. In addition, a council's Chief Finance Officer has a statutory duty under Section 151 of the Local Government Act 1972 to establish a clear framework for the proper administration of the authority's financial affairs. To fulfil this requirement, the S151 Officer relies, amongst other sources, upon the work of internal audit.
- 2.3. The above provides the mandate for the provision of an Internal Audit function within each SIAS partner in accordance with the Global Internal Audit Standards.

## 3. Role

- 3.1. SIAS internal audit activity is overseen by Three Rivers District Council's committee charged with fulfilling audit committee responsibilities, herewith referred to as the Audit Committee. As part of its oversight role, the Audit Committee is responsible for defining the responsibilities of SIAS via this Charter.
- 3.2. SIAS may undertake additional consultancy activity requested by management. The Client Audit Manager will determine such activity on a case-by-case basis, assessing the skills and resources available. Significant additional consultancy activity not

already included in the Internal Audit Plan will only be accepted and carried out following consultation with the Audit Committee.

#### 4. Professionalism

- 4.1. SIAS commits to adhering to the Global Internal Audit Standards (GIAS). They set out the fundamental requirements for the professional practice of internal auditing and include the Purpose of Internal Auditing, Ethics & Professionalism, Governing the Internal Audit Function, Managing the Internal Audit Function and Performing Internal Audit Services.
- 4.2. SIAS also recognises the Mission of Internal Audit as identified within the IPPF, 'To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight' and the Core Principles for the Professional Practice of Internal Auditing, which demonstrate an effective internal audit function, achieving internal audit's mission.
- 4.3. SIAS operations are guided by its operating procedures manual as well as applicable, Chartered Institute of Internal Auditors (CIIA) and Chartered Institute of Public Finance and Accountancy (CIPFA) Position Papers, Practice Advisories and Guides, and relevant council policies and procedures, including compliance with the Bribery Act 2010.
- 4.4. Should non-conformance with the GIAS be identified, the Head of SIAS will investigate and disclose, in advance, if possible, the exact nature of the non-conformance, the reasons for it and, if applicable, its impact on a specific engagement or engagement outcome.

#### 5. Authority and Confidentiality

- 5.1. Internal auditors are authorised full, free, and unrestricted access to all a client's records, physical property, and personnel as necessary to fulfil the internal audit mandate. All client employees are requested to assist SIAS in fulfilling its roles and responsibilities. Information obtained during an engagement is safeguarded and confidentiality respected in accordance with the Council's GDPR and information security policies.
- 5.2. Internal auditors will only use information obtained to complete an engagement. It will not be used in a manner that would be contrary to the law, for personal gain, or detrimental to the legitimate and ethical objectives of the client organisation(s). Internal auditors will disclose all material facts known, which if not disclosed could distort a report or conceal unlawful practice.

#### 6. Organisation

- 6.1. The Client Audit Manager and their representatives have free and unrestricted direct access to Senior Management, the Audit Committee, the Chief Executive, the Chair of the Audit Committee and the External Auditor. The Client Audit Manager will communicate with all the above parties at both committee meetings and between meetings as appropriate.
- 6.2. The Chair of the Audit Committee has free and unrestricted direct access to the Client Audit Manager.

- 6.3. The Client Audit Manager is line managed by the Head of SIAS who approves all decisions regarding the performance evaluation, appointment, or removal of the Client Audit Manager, in consultation with the Head of Assurance and SIAS Board.

## 7. Stakeholders

The following groups are defined as stakeholders of SIAS:

- 7.1. The Head of SIAS, working with the Client Audit Manager, both suitably experienced and qualified (CCAB and / or CMIIA), is responsible for:
- hiring, remunerating, appraising, and developing SIAS staff in accordance with the host authority's HR guidance
  - maintaining up-to-date job descriptions which reflect the roles, responsibilities, skills, qualifications, and attributes required of SIAS staff
  - ensuring that SIAS staff possess or obtain the skills, knowledge, and competencies (including ethical practice) needed to effectively perform SIAS engagements
  - seeking approval from the SIAS Board for the level of human resources and finance required for SIAS to deliver services in accordance with its mandate
- 7.2. The Audit Committee is responsible for overseeing the effectiveness of SIAS and holding the Client Audit Manager to account for delivery. This is achieved through the approval of the annual audit plan, approval of performance targets set by the SIAS Board and receipt of regular reports. The Committee should champion the internal audit function to enable it to fulfil the purpose of internal auditing and pursue its strategy and objectives.
- 7.3. The Audit Committee is also responsible for the effectiveness of the governance, risk, and control environment within the Council, holding operational managers to account for its delivery.
- 7.4. Where stated in its Terms of Reference, the Audit Committee provides an annual report to the Council detailing the Committee's activities through the year. In addition, and as required, the Committee ensures that there is appropriate communication of, and involvement in, internal audit matters from the wider publicly elected Member body.
- 7.5. The Client Audit Manager is responsible for ensuring that the outcome of all final Internal Audit reports is reported to all members of the Audit Committee, in a format agreed with these relevant parties.
- 7.6. Senior Management, defined as the Head of Paid Service, Chief Officers, and their direct reports, are responsible for helping shape the programme of assurance work. This is achieved through analysis and review of key risks to achieving the Council's objectives and priorities. Senior Management should also support recognition of the internal audit function throughout the organisation, and in providing full, free, and unrestricted access to all a client's records, physical property, and personnel as necessary to fulfil the internal audit mandate.
- 7.7. The SIAS Board is the governance group charged with monitoring and reviewing the overall operation of SIAS, with SIAS reporting key information to the Audit Committee within progress and annual reports, including:

- resourcing and financial performance
- operational effectiveness through the monitoring performance indicators
- any restrictions on internal audit scope, access, authority, or resources limiting the ability to carry out its responsibilities effectively.
- the overall strategic direction of the shared service.

## 8. Independence and Objectivity

- 8.1. No element in the organisation should interfere with audit selection, scope, procedures, frequency, timing, or report content. This is necessary to ensure that internal audit maintains the necessary level of independence and objectivity.
- 8.2. As well as being impartial and unbiased, internal auditors will have no direct operational responsibility or authority over any activity audited. They will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that might impair their judgment.
- 8.3. When asked to undertake any additional roles/responsibilities outside internal auditing, the Client Audit Manager will highlight to the Audit Committee any potential or perceived impairment to independence and objectivity having regard to the principles contained within the GIAS Code of Ethics as well as any relevant requirements set out in other professional bodies to which the Client Audit Manager may belong. The Audit Committee will approve and periodically review any safeguards put in place to limit any impairments to independence and objectivity.
- 8.4. Where SIAS has been required to provide assurance to other partnership organisations, or arm's length bodies such as trading companies, the Client Audit Manager and Head of SIAS will ensure that the risks of doing so are managed effectively, having regard to the Head of SIAS's primary responsibility to the management of the partners for which they are engaged to provide internal audit services.
- 8.5. The Client Audit Manager will confirm to the Audit Committee, at least annually, the organisational independence of SIAS.

## 9. Conflicts of Interest

- 9.1. Internal auditors will exhibit clear professional objectivity when gathering, evaluating, and communicating engagement information. When forming judgments, they will make a balanced assessment of all relevant circumstances and not be influenced by their own interests or the views and interests of others.
- 9.2. Each auditor will comply with the ethical requirements of his/her professional body and proactively declare any potential conflict of interest, whether actual or apparent, prior to the start of an engagement.
- 9.3. All auditors sign an annual declaration of interest to ensure that the allocation of work avoids conflict of interest. Auditors who undertake consultancy work or are new to the team will be prohibited from auditing in those areas where they have worked in the past year. Audits are rotated within the team to avoid over-familiarity and complacency.
- 9.4. SIAS procures an arrangement with an external delivery partner to provide service resilience, i.e., additional internal audit days on request. The external

delivery partner will be used to deliver engagements as directed by the Client Audit Manager in particular providing advice and assistance where SIAS staff lack the required skills or knowledge. The external delivery partner will also be used to assist with management of potential and actual conflicts of interest in internal audit engagements, providing appropriate independence and objectivity as required.

- 9.5. In the event of a real or apparent impairment of independence or objectivity, (acceptance of gifts, hospitality, inducements, or other benefits) the Client Audit Manager will investigate and report on the matter to appropriate parties.

## 10. Responsibility and Scope

- 10.1. The scope of SIAS encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the organisation's governance, risk management, and internal control processes (as they relate to the organisation's priorities and objectives) and the promotion of appropriate ethics and values.
- 10.2. Internal control and risk management objectives considered by internal audit extend to the organisation's entire control and risk management environment and include:
- consistency of operations or programs with established objectives and goals, and effective performance
  - effectiveness and efficiency of governance, operations, and employment of resources
  - compliance with significant policies, plans, procedures, laws, and regulations
  - design, reliability and integrity of management and financial information processes, including the means to identify, measure, classify, and report such information
  - safeguarding of assets
- 10.3. SIAS is well placed to provide advice and support on emerging risks and controls and will, if requested, deliver consulting and advisory services, or evaluate specific operations.
- 10.4. SIAS is responsible for reporting to the Audit Committee and senior management any significant risk exposures, control and governance issues and other matters that emerge from an engagement.
- 10.5. Engagements are allocated to (an) internal auditor(s) with the appropriate skills, experience, and competence. The auditor is then responsible for carrying out the work in accordance with the SIAS Operating Procedures Manual, and must consider the relevant elements of internal control, the needs and expectations of clients, the extent of work required to meet the engagement's objectives, its cost effectiveness, and the probability of significant error or non-compliance.

## 11. Role in Anti-Fraud

- 11.1. The SIAS work programme, designed in consultation with Senior Management, the Audit Committee and seeks to provide assurance on how the council manages the fraud risks to which it is exposed.
- 11.2. SIAS must have sufficient knowledge to evaluate the risk of fraud and the way it is managed by the Council but are not expected to have the expertise of a person or team whose primary responsibility is detecting and investigating fraud.

- 11.3. SIAS will exercise due professional care by considering the probability of significant errors, fraud, or non-compliance when developing audit scopes and objectives.
- 11.4. The Client Audit Manager should be notified of all suspected or detected fraud, corruption, or impropriety so that the impact upon control arrangements can be evaluated.
12. Internal Audit Plan
- 12.1. Following discussion with appropriate senior management, the Client Audit Manager will submit a risk-based plan to the Audit Committee for review and approval. This will occur at least annually. The plan sets out the engagements agreed by the Section 151 Officer and Senior Leadership Team and demonstrates the priorities of both SIAS (the need to produce an annual internal audit opinion) and those of the organisation. Also included will be any relevant declarations of interest.
- 12.2. The plan will be accompanied by details of the risk assessment approach used and other assurance considered during the planning process. Also shown will be the timing of an engagement, its budget in days, details of any contingency for new or changed risks, time for planning and reporting and a contribution to the development of SIAS.
- 12.3. The plan will be subject to regular review in year and may be modified in response to changes in the organisation's business, risks, operations, programmes, systems, and controls. All significant changes to the approved internal audit plan will be communicated in the quarterly update reports.
13. Reporting and Monitoring
- 13.1. A draft written Terms of Reference will be prepared and issued to appropriate personnel at the start of an engagement. It will cover the intended objectives, scope and reporting mechanism and will be agreed with the client. Changes to the terms of reference during the engagement may occur and will be agreed following consultation with the client.
- 13.2. A report will be issued to management on completion of an engagement. It will include a reasoned opinion, details of the time and scope within which it was prepared, management's responses to specific risk prioritised findings and recommendations made and a timescale within which corrective action will be / has been taken. If recommended action is not to be taken, an explanation for this will also be included.
- 13.3. SIAS will follow-up the implementation of agreed recommendations in line with the protocol at each client. As appropriate, the outcomes of this work will be reported to the audit committee and may be used to inform the risk-based planning of future audit work. Should follow-up activity identify any significant error or omission, this will be communicated by the Client Audit Manager to all relevant parties.
- 13.4. In consultation with senior management, the Client Audit Manager will consider, on a risk-basis, any request made by external stakeholders for sight of an internal audit report.
- 13.5. Quarterly update reports to the Audit Committee will detail the results of each engagement, including significant risk exposures and control issues. In addition, an annual report will be produced giving an opinion on the overall control, governance,

and risk management environment (and any other issues judged relevant to the preparation of the Annual Governance Statement) with a summary of the work that supports the opinion. Hertfordshire County Council's Head of Assurance will also make a statement of conformance with GIAS, using the results of the annual self-assessment and Quality Assurance and Improvement Plan (QAIP) required by the GIAS. The statement will detail the nature and reasons for any impairments, qualifications, or restrictions in scope for which the Committee should seek reassurances from management. Any improvement plans arising will be included in the annual report.

#### 14. Periodic Assessment

- 14.1. GIAS require Hertfordshire County Council's Head of Assurance and the SIAS Board to arrange for an independent review of the effectiveness of internal audit undertaken by a suitably knowledgeable, qualified, and competent individual or organisation. This should occur at least every five years.
- 14.2. Hertfordshire County Council's Head of Assurance will ensure that continuous efforts are made to improve the efficiency, effectiveness, and quality of SIAS. These will include the Quality Assurance and Improvement Programme, client feedback, appraisals, and shared learning with the external audit partner as well as coaching, supervision, and documented review.
- 14.3. A single review will be carried out to provide assurance to all SIAS partners with the outcomes included in the partner's Annual Report.

#### 15. Review of the Audit Charter

- 15.1. The Client Audit Manager will review this charter annually and will present to the first audit committee meeting of each financial year, any changes for approval.
- 15.2. The Client Audit Manager reviewed this Audit Charter in May 2025. It will next be reviewed in April 2026.

### **Glossary of Terms**

Audit Committee	<p>The GIAS defines the Audit Committee as "The governance group charged with independent assurance of the adequacy of the risk management framework, the internal control environment and the integrity of financial reporting."</p> <p>The Audit Committee operates in accordance with its terms of reference contained in Three River District Council's Constitution.</p> <p>CIPFA's <i>Audit Committees Practical Guidance for Local Authorities and Police 2022 Edition</i> indicates that for a local authority, it is best practice for the audit committee to report directly to full council rather than to another committee, as the council itself most closely matches the body of 'those charged with governance'. This is the case at Three Rivers District Council.</p>
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Audit Plan	The programme of risk-based work carried out by the Shared Internal Audit Service (SIAS) on behalf of its clients.
Board	<p>The GIAS defines the 'Board' as "The highest-level governing body (e.g., a board of directors, a supervisory board, or a board of governors or trustees) charged with the responsibility to direct and/or oversee the organisation's activities and hold senior management accountable. Although governance arrangements vary among jurisdictions and sectors, typically the board includes members who are not part of management. If a board does not exist, the word "board" in the Standards refers to a group or person charged with governance of the organisation. Furthermore, "board" in the Standards may refer to a committee or another body to which the governing body has delegated certain functions (e.g., an Audit Committee).</p> <p>For the purposes of the SIAS Audit Charter, the Board as referred to in the GIAS shall be Three Rivers District Council's Audit Committee. All references to the Audit Committee in the SIAS Audit Charter should be read in this context.</p>
Chief Audit Executive (CAE)	<p>The GIAS describes the role of CAE as "a person in a senior position responsible for effectively managing the internal audit activity in accordance with the internal audit charter and the mandatory elements of the International Professional Practices Framework. The CAE or others reporting to the CAE will have appropriate professional certifications and qualifications. The specific job title and/or responsibilities of the CAE may vary across organisations."</p> <p>The CAE is fundamental to the success of the service and to the extent to which it complies with the Standards. Regular reference is made to this role throughout the GIAS, including some specific requirements relating to whoever is designated the role.</p> <p>For the purposes of the SIAS Audit Charter, the CAE as referred to in the GIAS shall be Three Rivers District Council's Client Audit Manager. All references to the Client Audit Manager in the SIAS Audit Charter should be read in this context.</p>
Global Internal Audit Standards	The Standards guide the worldwide professional practice of internal auditing and serve as a basis for evaluating and elevating the quality of the internal audit function. At the heart of the Standards are 15 guiding principles that enable



	effective internal auditing.
Management	Operational officers of the Council responsible for creating corporate policy and organising, planning, controlling, and directing resources to achieve the objectives of that policy. Senior management is defined as the Head of Paid Service, Chief Officers, and their direct reports.
Shared Internal Audit Service (SIAS)	SIAS is a local authority partnership comprising Hertfordshire County Council (HCC) and seven Hertfordshire district and borough councils. SIAS also provides internal audit services to a limited number of external clients. HCC is the host authority for the partnership and provides support services such as HR, technology, and accommodation.
SIAS Board	The Board that comprises officer representatives from the partner authorities and is responsible for the governance of the SIAS partnership.

Note:

For readability, the term 'internal audit activity' as used in the GIAS guidance has been replaced with 'SIAS' in this Charter.

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# Three Rivers District Council

External audit plan

Page 43

Year ended 31 March 2025

April 2025



Agenda Item 6

## Your key team members

### Paul Grady

Key Audit Partner

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## Contents

Introduction	3
Audit scope and general approach	5
Building back assurance	9
Indicative build back planner	13
Indicative assurance over build back period	14
Anticipated audit reports by year	15
Our financial statements audit explained	16
Materiality	17
Significant and other risks of material misstatement	18
Value for Money	27
Audit team and logistics	30
Independence, objectivity and other services provided	31
Fees	32

## Appendices

Appendix I: Group audit scope and risk assessment	33
---------------------------------------------------	----

# Introduction

## **Adding value through the audit**

*All of our clients demand of us a positive contribution to meeting their ever-changing business needs. Our aim is to add value to the Council through our external audit work by being constructive and forward looking, by identifying areas of improvement and by recommending and encouraging good practice. In this way, we aim to help the Council promote improved standards of governance, better management and decision making and more effective use of resources.*

## **Purpose**

This audit plan highlights the key elements of our proposed audit strategy and provides an overview of the planned scope and timing of the statutory external audit of Three Rivers District Council ('the Council') for the year ended 31 March 2025 for those charged with governance.

The core elements of our work include:

- An audit of the 2024/25 Statement of Accounts for the Council and its Group; and
- An assessment of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources (our Value for Money work).

This document also includes our indicative plans for building back assurance for the Council and its Group over the coming years following the previous disclaimed audits.

We will conduct our audit in accordance with International Standards on Auditing (ISAs) (UK), the Local Audit and Accountability Act 2014 (the 'Act'), the National Audit Office Code of Audit Practice and associated guidance. The Code of Audit Practice sets out what local auditors of relevant local public bodies are required to do to fulfil their statutory responsibilities under the Act.

## **Auditor responsibilities**

As auditor we have been appointed to perform an audit, in accordance with the Local Audit and Accountability Act 2014, the Code of Audit Practice issued by the National Audit Office and ISAs UK. Our primary responsibility is to form and express an independent opinion on the Council's and its Group's financial statements, stating whether they provide a true and fair view and have been prepared properly in accordance with applicable law and the CIPFA Code of Practice on Local Authority Accounting in the UK (the 'CIPFA Code').

We are also required to:

- Report on whether the other information included in the Statement of Accounts (including the Narrative Report and Annual Governance Statement) is consistent with the financial statements;
- Report by exception if the disclosures in the Annual Governance Statement are incomplete or if the Annual Governance Statement is misleading or inconsistent with our knowledge acquired during the audit;
- Report by exception any significant weaknesses identified in arrangements for securing value for money and a summary of associated recommendations;
- Report by exception on the use of our other statutory powers and duties; and
- Certify completion of our audit.

*continued....*

# Introduction

*We will conduct our audit in accordance with International Standards on Auditing (ISAs) (UK), the Local Audit and Accountability Act 2014 (the 'Act'), and the National Audit Office Code of Audit Practice. The Code of Audit Practice sets out what local auditors of relevant local public bodies are required to do to fulfil their statutory responsibilities under the Act.*

*This planning letter has been prepared for the sole use of those charged with governance and management and should not be relied upon by third parties. No responsibility is assumed by Azets Audit Services to third parties.*

## Auditor responsibilities (*....continued*)

We will issue our Audit Completion Report and an Auditor's Annual Report to the Audit Committee setting out the findings from our work.

Under the Act we have a broad range of reporting responsibilities and powers that are unique to the audit of local authorities in the United Kingdom. These include:

- Reporting matters in the public interest;
- Making written recommendations to the Council;
- Making an application to the court for a declaration that an item of account is contrary to law;
- Issuing and advisory notice; or
- Making an application for judicial review.

The Act also requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and consider any objection made to the accounts.

On completion of our audit work, we will issue an Audit Completion Report (prior to the approval of the financial statements), detailing our significant findings and other matters arising from the audit on the financial statements, together with an Auditor's Annual Report including our commentary on the value for money arrangements.

If, during the course of the audit, we identify any significant adverse or unexpected findings that we conclude should be communicated, we will do so on a timely basis, either informally or in writing.

The audit does not relieve management or the Audit Committee of your responsibilities, including those in relation to the preparation of the financial statements.

## Council responsibilities

The Council has responsibility for:

- Preparing financial statements which give a true and fair view, in accordance with the applicable financial reporting framework and relevant legislation;
- Preparing and publishing, along with the financial statements, an annual governance statement and narrative report;
- Maintaining proper accounting records and preparing working papers to an acceptable professional standard that support its financial statements and related reports disclosures; and
- Ensuring the proper financial stewardship of public funds, complying with relevant legislation and establishing effective arrangements for governance, propriety and regularity.

# Audit scope and general approach

This section of our letter sets out the scope and nature of our audit and should be considered in conjunction with the [Terms of Appointment](#) and [Statement of Responsibilities](#) issued by Public Sector Audit Appointments Limited (PSAA).

## General approach

Our objective when performing an audit is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement and to issue an auditor's report that includes our auditor's opinion.

Page 47 As part of our risk-based audit approach, we will:

- Perform risk assessment procedures including updating our understanding of the Council and its Group, including its environment, the financial reporting framework and its system of internal control;
- Review the design and implementation of key internal controls;
- Identify and assess the risks of material misstatement, whether due to fraud or error, at the financial statement level and the assertion level for classes of transaction, account balances and disclosures;

- Design and perform audit procedures responsive to those risks, to obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion; and
- Exercise professional judgment and maintain professional scepticism throughout the audit recognising that circumstances may exist that cause the financial statements to be materially misstated.

We will undertake a variety of audit procedures which, in a normal year, are designed to provide us with sufficient evidence to give us reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. We are unlikely to be able to obtain sufficient assurance in 2024/25 to reach this conclusion due to the previously disclaimed audits.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

We include an explanation in the auditor's report of the extent to which the audit was capable of detecting irregularities, including fraud and respective responsibilities for prevention and detection of fraud.

# Audit scope and general approach

## Materiality

We apply the concept of materiality both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements.

Judgments about materiality are made in the light of surrounding circumstances and are affected by our perception of the financial information needs of users of the financial statements, and by the size or nature of a misstatement, or a combination of both. **The basis for our assessment of materiality for the year is set out on page 17.**

Any identified errors greater than:

£50,600

will be recorded and discussed with you and, if not adjusted, confirmed as immaterial as part of your letter of representation to us.

## Accounting systems and internal controls

The purpose of an audit is to express an opinion on the financial statements. We will follow a substantive testing approach to gain audit assurance rather than relying on tests of controls. As part of our work, we consider certain internal controls relevant to the preparation of the financial statements such that we are able to design appropriate audit procedures. However, this work does not cover all internal controls and is not designed for the purpose of expressing an opinion on the effectiveness of internal controls. If, as part of our consideration of internal controls, we identify significant deficiencies in controls, we will report these to you in writing.

## Specialised skill or knowledge required to complete the audit procedures

We will use audit specialists to assist us in our audit work in the following areas:

- The audit of the actuarial assumptions used in the calculation of the defined benefit pension liability/asset; and
- The audit of investment or property valuations should the need arise during the course of the audit.

We will consult internally with our Technology Risk team for them to support the audit team by assessing the information technology general controls (ITGC) of the following systems:

- General Ledger – eFinancials
- The Active Directory



# Audit scope and general approach

## Significant changes in the financial reporting framework

There has been one significant change in the financial reporting framework this year, including the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 (the 'CIPFA Code'). The new standard relating to IFRS 16 Leases issued in January 2016 has now been mandated for implementation from 1 April 2024 within the 2024/25 Code.

## Significant changes in the Council's and Group's functions or activities

There have been no significant changes to the functions and activities of the Council or its group structure. We have not been made aware of any significant changes in the functions or activities of the other components in the Council's group.

Our group audit scope and risk assessment is set out in Appendix I.

## Going concern

### Management responsibility

Management is required to make and document an assessment of whether the Council and group is a going concern when preparing the financial statements. The review period should cover at least 12 months from the date of approval of the financial statements. Management are also required to make balanced, proportionate and clear disclosures about going concern within the financial statements where material uncertainties exist in order to give a true and fair view.

## Going concern

### Auditor responsibility

Under ISA (UK) 570, we are required to consider the appropriateness of management's use of the going concern assumption in the preparation of the financial statements and consider whether there are material uncertainties about the Council [and group]'s ability to continue as a going concern that need to be disclosed in the financial statements.

In assessing going concern, we will consider the guidance published in the CIPFA Code and Practice Note 10 (PN10), which focusses on the anticipated future provision of services in the public sector rather than the future existence of the entity itself.

# Audit scope and general approach

## Related party transactions

ISA 550 requires that the audit process starts with the audited body providing a list of related parties to the auditor, including any entities under common control.

During our initial audit planning you have informed us of the individuals and entities that you consider to be related parties.

Please advise us of any changes as and when they arise.

## Additional procedures for the NAO

The National Audit Office (the 'NAO') issues group audit instructions which set out additional audit requirements. We expect the procedures for this year to be similar to previous years.

The NAO audit team for the WGA request us to undertake specific audit procedures in order to provide them with additional assurance over the amounts recorded in WGA schedules. The extent of these procedures will depend on whether the Council has been selected by the NAO as a sampled component for 2024/25. As at the date of this report, the draft instructions have not yet been issued by the NAO and the NAO has not yet confirmed which entities will be sampled components.

We will comply with the instructions and to report to the NAO in accordance with their requirements once instructions have been issued.

# Building back assurance

## Statutory backstop dates and disclaimed audits

**Statutory Instrument (2024) No. 907** - “*The Accounts and Audit (Amendment) Regulations 2024*”, imposed annual statutory backstop dates up to and including the 2027/28 year of account for the publication by the Council of its final Statement of Accounts. The Code of Audit Practice specifies that auditors are required to issue their auditor’s report before these dates, even if planned audit procedures are not fully complete, so that local government bodies can comply with the statutory reporting deadline.

This legislation provides the following statutory backstop dates:

13 December 2024	Audits from 2015/16 to 2022/23
• 28 February 2025	2023/24 audit
• 28 February 2026	2024/25 audit
• 31 January 2027	2025/26 audit
• 30 November 2027	2026/27 audit
• 30 November 2028	2027/28 audit

The statutory backstop has resulted in the audits of the Council’s accounts being disclaimed for 2020/21, 2021/22, 2022/23 and 2023/24. The 2019/20 audit received a qualified audit opinion. The previous clean opinion, where the closing balances were assured by the auditor, was 2018/19. The closing balances as at 31 March 2019 are therefore our required starting point for building back assurance.

## Building back assurance

Government’s expectation is that auditors and councils build back assurance to enable, at some point in the future, the return to unmodified (clean) opinions. The recovery period has been designed to allow auditors to rebuild assurance for balances from disclaimed years over multiple audit cycles, reducing the risk of the backlog recurring. Because auditors will need to make prioritisation decisions to issue audit opinions ahead of the backstop dates, they may not be able to obtain sufficient evidence to support all balances nor all in-year and comparative expenditure, income, cash flow and reserves movements.

As a firm we have invested considerable resources in developing our overall response to the disclaimed periods of assurance, the impact this has on our audit responsibilities and what an indicative build-back plan may involve. Due to the complexities caused by the disclaiming of previous audits our work has required greater involvement from senior members of the audit team than would normally be the case. PSAA has made clear that this additional work is over and above the annual scale fee.

Our planning takes into account the guidance contained in the [Local Audit Reset and Recovery Implementation Guidance](#) (LARRIG), numbers 1 to 5. LARRIGs are prepared and published by the National Audit Office (NAO) on behalf of the Comptroller and Auditor General (C&AG) who has power to issue guidance to auditors under Schedule 6 paragraph 9 of the *Local Audit and Accountability Act 2014* (the Act). LARRIGs are prepared and published with the endorsement of the Financial Reporting Council (FRC) and are intended to support the reset and recovery of local audit in England. The guidance in LARRIGs supports auditors in meeting their requirements under the Act and the [Code of Audit Practice](#) published by the NAO on behalf of the C&AG.

# Building back assurance

Our planning also takes into account the guidance contained in the FRC's document [Local Audit Backlog Rebuilding Assurance](#). Alongside the backlog measures, the Government has announced its intention to 'overhaul the local audit system.'

The FRC's guidance states: *"Recovery from the backlog is a shared endeavour between auditors and local bodies. Accounts preparers have a vital part to play, providing good quality draft financial statements supported by comprehensive working papers and supporting evidence to auditors. The success of these proposals relies on both auditors and accounts preparers working closely together to agree jointly-owned delivery plans for each year's audit. Chartered Institute of Public Finance and Accountancy (CIPFA) are responsible for the production of guidance to support accounts preparers. Audit Committees should ensure that they are planning and able to play their full part in the process."*

Elements of building back assurance are subject to detailed discussion within a cross-firm working group, also attended by the FRC, known as 'the Sandbox'. We will ensure our build-back approach is fully ISA compliant and, where it relies on the eventual outcome of Sandbox discussions, we will only utilise this approach where it has been endorsed by the FRC.

As part of our work in 2023/24, we began assessing what work, carried out in 2023/24, can be used to inform the process of rebuilding assurance in future years. Where work was able to be undertaken in 2023/24, we intend to accrete this work into this and future audit periods to inform the future building back of assurance. The build-back approach will require us to apply a process of rebuilding assurance over all financial years for which disclaimers of opinion have been issued.

As a result of the approach we adopted in 2023/24 we have developed our understanding of the Council's systems, processes, controls and arrangements for the preparation of the financial statements and have gathered information which may inform the process of rebuilding assurance in this and future years.

We have developed an indicative end-to-end build-back recovery plan for disclaimed audits. We set out this indicative plan for your Council here.

## Our overarching approach

Our approach to your audit from 2024/25 onwards comprises three distinct phases with the ultimate objective of returning to unmodified opinions in the future.

Phase	Planned work	Timing	Included in scale fee?
1	Undertake the normal 'in-year' audit. This will provide assurance over some closing balances and most in-year movements	Annually	Yes
2	Undertake 'build-back' testing back to the last clean opinion for specified balance sheet items where full assurance over the closing balance cannot be obtained without opening assurance	To be agreed with Council	No – additional cost
3	Undertake work on prior-year disclaimed CIES entries and reserve movements back to the last clean opinion (subject to Sandbox discussions)	To be agreed with Council	No – additional cost

# Building back assurance

One of the contributing factors to the existing backlog of opinions was insufficient capacity across audit suppliers and, in some cases, within council finance teams. These capacity constraints continue. It is therefore not possible to rebuild all assurance within a one-year period. In terms of the work required under phases 2 and 3 – which could be considerable – we will discuss with management the appropriate timing and year for such work. For 2024/25, we anticipate there will be sufficient capacity to undertake phase 1 and potentially some elements of phase 2, with the remainder of the indicative build back plan falling into future years.

## Phase 1: the 'in-year' audit and accretion of evidence

In 2024/25 and future years, our 'in-year' audit will enable us to reach one of the following conclusions for each balance sheet item of account. This approach is subject to the provision of appropriate and timely evidence which fully supports the balances in question, and whether our detailed work confirms our assumptions over which balances can be fully supported independently of the missing opening assurance:

Conclusion	Likely applicable balances
Assurance gained over the closing balance of the item of account (i.e. closing balance is not inherently tied to the opening position)	<ul style="list-style-type: none"><li>• Other land and buildings valuation</li><li>• Investment properties</li><li>• Investments</li><li>• Debtors</li><li>• Creditors</li><li>• Cash and cash equivalents</li><li>• Borrowing</li><li>• Provisions</li></ul>
Assurance gained in-year but lack of opening assurance means the closing balance / full year balance on CIES cannot be fully assured and remains disclaimed	<ul style="list-style-type: none"><li>• Property plant and equipment</li><li>• Pension liabilities (IAS19)</li><li>• Long term debtors</li><li>• Long term creditors</li><li>• Long term lease liabilities</li><li>• Income strip balances</li><li>• All reserves</li></ul>

The items in the first category will be rolled forward and accreted into future years as part of the overarching indicative build-back strategy. It will take a minimum of three years for the items in this first category to be fully assured across three closing balances. At this point, no retrospective build back should be required for these items of account.

The items in the second category will need further work to obtain full assurance, which form phases 2 and 3 of the overarching indicative build-back approach.

# Building back assurance

## Phase 2: build-back for specified balance sheet items where the closing position is inherently tied to the opening position

These closing balances can only be assured by undertaking work on these items of account in the disclaimed years, back to the last clean opinion.

2024  
We are not, at this stage, proposing to rebuild assurance for historic land and buildings and IAS19 pension valuations or CIES income and expenditure over the disclaimed years. This is considered further in Phase 3.

Obtaining full assurance over the pension liability valuation (IAS19) closing balance will not be possible until the completion of the next triennial valuation. This is because of missing assurance over the current position dating back to the previous triennial valuation. The next triennial valuation is due to be accounted for from 2025/26, and we will undertake work in respect of this in conjunction with the pension fund auditor during the 2025/26 audit year.

In 2024/25 we will undertake work on the IAS19 disclosures and, in particular, the Council's accounting for the pension asset ceiling and related accounting items, to assess the accuracy and disclosure of these and other factors, in readiness for 2025/26 and the triennial valuation.

## Phase 3: build-back on prior year disclaimed CIES entries and reserve movements back to the last clean opinion

The approach to this is being discussed by all firms within the 'Sandbox'. Firms, including Azets, will only use this approach if it is endorsed by MHCLG and appropriate statutory guidance.

If it is endorsed, we will employ the 'Sandbox' approach back to the last clean opinion to gain full assurance over prior years' CIES and reserves movements and, therefore, reserves closing balances. This may involve selective substantive testing of income and expenditure transactions within disclaimed years.

If the 'Sandbox' approach is not endorsed, or if the risk assessment of the Council's position means the approach cannot be used, we will need to undertake full CIES testing in previously disclaimed years. This will then enable us to undertake reserves testing for each disclaimed year, enabling us to rebuild the assurance over the reserves balances and provide assurance over the general fund, earmarked reserves and unusable reserves, as well as over the Council's Capital Financing Requirement (CFR) and minimum revenue provision (MRP).

# Indicative build-back planner

	Build back of specified closing balances				Recovery of closing balances	Recovery of reserves and CIES	
Item of account	Phase 1				Phase 2 (year and timing to be agreed with management)	Phase 3 (year and timing to be agreed with management)	Included in scale fee?
	2024/25	2025/26	2026/27	2027/28			
Income in-year <i>(fees and charges, taxation, grants, other income)</i>	Yes	Yes	Yes	Yes	N/A	N/A	Yes
Expenditure in-year <i>(payroll, operating expenditure, other expenditure)</i>	Yes	Yes	Yes	Yes	N/A	N/A	Yes
Other land and buildings valuation, Investment properties valuation	Yes	Yes	Yes	Yes	N/A	N/A	Yes
Closing balances not inherently tied to the opening balance <i>(includes Investment properties, investments, debtors, creditors, cash and cash equivalents, borrowing, provisions)</i>	Yes	Yes	Yes	Yes	N/A	N/A	Yes
Pension liabilities (IAS19) <i>(triennial in 2025/26)</i>	Yes	Yes	Yes	Yes	N/A	N/A	Yes
Reserves and reserves movements in-year <i>(general fund, earmarked reserves, unusable reserves, CFR, MRP, disclaimed year CIES movements)</i>	Yes	Yes	Yes	Yes	N/A	N/A	Yes
Cash flow statement in-year	Yes	Yes	Yes	Yes	N/A	N/A	Yes
Collection fund	Yes	Yes	Yes	Yes	N/A	N/A	Yes
Cash flow statement and related notes full assurance	Yes	Yes	Yes	Yes	N/A	N/A	Yes
PPE closing balances, council dwelling closing balances <i>(recovery of additions, disposals, depreciation and other capital movements)</i>	No	No	No	No	Yes planned 2024/25	No	No
Closing balances inherently tied to the opening balances where prior year recovery is required <i>(Long term debtors, long term creditors, long term lease liabilities, income strip)</i>	No	No	No	No	Yes planned 2024/25	No	No
Collection fund surplus	No	No	No	No	Yes in future years	No	No
Reserves and reserves movements full assurance <i>(general fund, earmarked reserves, unusable reserves, CFR, MRP, disclaimed year CIES movements)</i>	No	No	No	No	No	Yes in future years	No



# Indicative assurance over build-back period

	Build back of specified closing balances through in-year audit				Recovery of closing balances	Recovery of reserves and CIES
	Phase 1				Phase 2 (year and timing to be agreed with management)	Phase 3 (year and timing to be agreed with management)
	2024/25	2025/26	2026/27	2027/28		
<b>PHASE 1(A):</b> Assurance gained over specific balance sheet closing balances which are not inherently tied to the opening balance, EXCEPT FOR pensions IAS19 balance	Yes	Yes	Yes	Yes	N/A	N/A
<b>PHASE 1(B):</b> Assurance gained over specific balance sheet closing balances which are not inherently tied to the opening balance, INCLUDING pensions IAS19 balance	No	Yes	Yes	Yes	N/A	N/A
<b>PHASE 1(C):</b> Assurance gained over comparator closing balance for specific balance sheet items not inherently tied to the opening balance	No	No	Yes	Yes	N/A	N/A
<b>PHASE 1(D):</b> Assurance gained over comparator opening balance for specific balance sheet items not inherently tied to the opening balance	No	No	No	Yes	N/A	N/A
<b>PHASE 2:</b> Assurance gained over balance sheet balances which are inherently tied to the opening balance – current year closing, prior year closing, prior year opening – plus collection fund surplus	N/A	N/A	N/A	N/A	Yes	N/A
<b>PHASE 3:</b> Assurance gained over general fund, earmarked reserves, unusable reserves	N/A	N/A	N/A	N/A	N/A	Yes
Full assurance gained for each phase?	No	No	No	Yes	Yes	Yes
Is missing assurance pervasive?	YES	YES	YES	YES (phase 1 obtained only)	YES (phase 1 and 2 obtained only)	NO (provided also have full phase 1 and 2)
Anticipated opinion	Disclaimer	Disclaimer	Disclaimer	Disclaimer	Disclaimer	Clean
Additional fee – disclaimer	Yes	Yes	Yes	Yes	Yes	No
Additional fee – build back	No	No	No	No	Yes	Yes

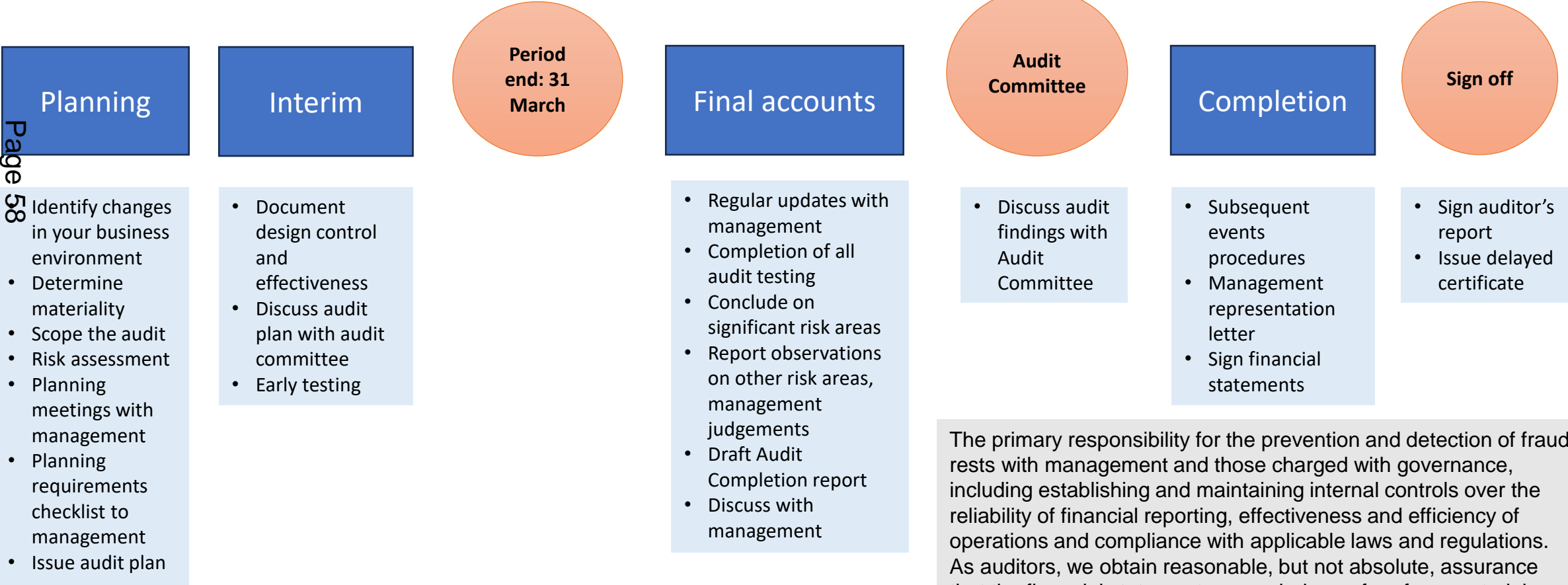


# Anticipated audit reports by year

Year	Assurance gained								Anticipated audit report
	Closing balances	Comparator closing balances	Comparator opening balances	Pensions IAS19 closing balance	Pensions IAS19 comparator closing balance	Pensions IAS19 comparator opening balance	Closing balances inherently tied to the opening balance	Reserves	
2024/25	Y	N	N	N	N	N	N	N	Disclaimer
2025/26	Y	Y	N	Y	N	N	N	N	Disclaimer
2026/27	Y	Y	Y	Y	Y	N	N	N	Disclaimer
2027/28 (phase 1 only)	Y	Y	Y	Y	Y	Y	N	N	Disclaimer
2027/28 * (phase 1 and 2 only)	Y	Y	Y	Y	Y	Y	Y	N	Disclaimer
2027/28 * (phase 1, 2 and 3)	Y	Y	Y	Y	Y	Y	Y	Y	Clean

\* Phase 2 (recovery of assurance back to the last clean opinion) and Phase 3 (recovery of general fund and reserves assurance) can be undertaken earlier than 2027/28 should there be sufficient capacity within the audit team and finance team, and subject to agreement of cost for this additional work.

# Our financial statements audit explained



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

# Materiality

Whilst our audit procedures are designed to identify misstatements which are material to our audit opinion, we also report to those charged with governance and management any uncorrected misstatements of lower value errors to the extent that our audit identifies these. Under ISA (UK) 260 we are obliged to report uncorrected omissions or misstatements other than those which are ‘clearly trivial’ to those charged with governance. ISA (UK) 260 defines ‘clearly trivial’ as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

An omission or misstatement is regarded as material if it would reasonably influence the users of the financial statements. The assessment of what is material is a matter of professional judgement and is affected by our assessment of the risk profile of the Council and Group and the needs of the users. When planning, we make judgements about the size of misstatements which we consider to be material, and which provide a basis for determining the nature and extent of our audit procedures. Materiality is revised as our audit progresses, should we become aware of any information that would have caused us to determine a different amount had we known about it during our planning.

Our assessment, at the planning stage, of materiality for the year ended 31 March 2025 was calculated as follows:

	Group £'000	Council £'000	Explanation
Overall materiality for the financial statements	1,067	1,000	Our initial assessment is based on approximately 2% of gross revenue expenditure as disclosed in the 2023/24 annual report and accounts. We consider this to be the principal consideration for the users of the financial statements when assessing financial performance of the Council and Group. The financial statements are considered to be materially misstated where total errors exceed this value
Performance materiality	690	655	65% of materiality. Performance materiality is the working level of materiality used throughout the audit. We use performance materiality to determine the nature, timing and extent of audit procedures carried out. We perform audit procedures on all transactions, or groups of transactions, and balances that exceed our performance materiality. This means that we perform a greater level of testing on the areas deemed to be at significant risk of material misstatement. Performance materiality is set at a value less than overall materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of the uncorrected and undetected misstatements exceed overall materiality.
Trivial threshold	53.3	50.6	5% of overall materiality for the Council and group. Trivial misstatements are matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. Individual errors above this threshold are communicated to those charged with governance.

In addition to the above, we consider any areas for specific lower materiality. We have determined that no specific materiality levels need to be set for this audit.

# Significant risks of material misstatement

Significant risks are risks that require special audit consideration and include identified risks of material misstatement that:

- Our risk assessment procedures have identified as being close to the upper range of the spectrum of inherent risk due to their nature and a combination of the likelihood and potential magnitude of misstatement; or
- Are required to be treated as significant risks due to requirements of ISAs (UK), for example in relation to management override of internal controls.

## Significant risks at the financial statement level

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

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

# Significant risks of material misstatement

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

# Significant risks of material misstatement

Identified risk	Planned audit procedures
<p><b>Wimbledon Income Strip – (Council and group)</b></p> <p>The Council has entered a complex and financially significant income strip scheme. This requires the recognition of an asset, a significant finance lease liability and management judgement on accounting for various transactions related to this scheme.</p> <p>The Council will also need to consider the impact of IFRS16 on the income strip arrangement and how this is accounted for within the financial statements.</p> <p>The accounting transactions of the income strip affect various assertions across multiple items of account in the CIES, balance sheet and Movement in Reserves statement. We have therefore assessed this as a financial statements level risk.</p> <p><b>Inherent risk of material misstatement: Very High</b></p>	<p>Procedures performed to mitigate risks of material misstatement in this area will include:</p> <ul style="list-style-type: none"><li>• Reviewing management's accounting treatment for this transaction, including revenue flows in year and the value of long and short-term assets and liabilities associated with the scheme</li><li>• Assessing management's accounting treatment against the requirements of the CIPFA Code and International Financial Reporting Standards.</li><li>• Assessing management's judgement on the impact of IFRS16 on the accounting for income strip transactions.</li></ul>

# Significant risks of material misstatement

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

The table below summarises significant risks of material misstatement at the assertion level for classes of transaction, account balances and disclosures.

Identified risk	Planned audit procedures
<p><b>Fraud in revenue recognition (rebutted) - Relates to Council and Group</b></p> <p>Material misstatement due to fraudulent financial reporting relating to revenue recognition is <b>a rebuttable presumed risk in ISA (UK) 240</b>.</p> <p>Having considered the nature of the revenue streams at the Council, we consider that the risk of fraud in revenue recognition can be rebutted due to the following reasons:</p> <ul style="list-style-type: none"> <li>• there is little opportunity available to manipulate revenue recognition;</li> <li>• there is limited incentive to manipulate revenue recognition</li> <li>• the Council's existing income transactions do not provide a significant opportunity to manipulate income between years in any meaningful way or to adopt aggressive recognition policies.</li> </ul> <p><b>Inherent risk of material misstatement (existence and occurrence): Low</b></p>	<p>Whilst we have rebutted the risk of fraud in income recognition, we will perform the below procedures based on their value within the financial statements:</p> <ul style="list-style-type: none"> <li>• Documenting our understanding of the Council's systems for income to identify significant classes of transactions, account balances and disclosures with a risk of material misstatement in the financial statements;</li> <li>• Evaluating the Council's accounting policies for recognition of income and compliance with the CIPFA Code; and</li> <li>• Substantively testing material income streams using analytical procedures and sample testing of transactions recognised for the year.</li> </ul>

# Significant risks of material misstatement

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

The table below summarises significant risks of material misstatement at the assertion level for classes of transaction, account balances and disclosures.

Identified risk	Planned audit procedures
<p><b>Fraud in expenditure recognition (rebutted) - Relates to Council and Group</b></p> <p>We have considered Practice Note 10, which comments that for certain public bodies, the risk of manipulating expenditure could exceed the risk of the manipulation of revenue. We have therefore also considered the risk of fraud in expenditure at the Council, and we are satisfied that this is not a significant risk for the reasons set out below:</p> <ul style="list-style-type: none"> <li>• there is little opportunity available to manipulate expenditure recognition;</li> <li>• there is limited incentive to manipulate expenditure recognition</li> <li>• the Council's existing expenditure transactions do not provide a significant opportunity to manipulate income between years in any meaningful way or to adopt aggressive recognition policies.</li> <li>• significant amount of expenditure is in relation to pay, and</li> <li>• non-pay expenditure reflected in the Council's financial statements exhibits a straightforward nature, characterised by reduced subjectivity, and there is little incentive to management to manipulate expenditure.</li> </ul> <p><b>Inherent risk of material misstatement (completeness, existence and occurrence):</b> <b>Low</b></p>	<p>Whilst we have rebutted the risk of fraud in income recognition, we will perform the below procedures based on their value within the financial statements:</p> <ul style="list-style-type: none"> <li>• Documenting our understanding of the Council's systems for expenditure to identify significant classes of transactions, account balances and disclosures with a risk of material misstatement in the financial statements;</li> <li>• Evaluating the Council's accounting policies for recognition of expenditure and compliance with the CIPFA Code; and</li> <li>• Substantively testing material expenditure streams using analytical procedures and sample testing of transactions recognised for the year.</li> </ul>



# Significant risks of material misstatement

Identified risk	Planned audit procedures
<p><b>Valuation of other land and buildings and investment property (key accounting estimate) - Relates to Council and Group</b></p> <p>Revaluation of other land and buildings and investment property should be performed with sufficient regularity so that carrying amounts are not materially misstated.</p> <p>The Council carries out a rolling programme of revaluations to ensure all property, plant and equipment required to be measured at fair value is revalued at least every five years and it undertakes a full revaluation of its investment property annually.</p> <p>Management engage the services of a qualified valuer, who is a Regulated Member of the Royal Institute of Chartered Surveyors (RICS) to undertake these valuations as of 31 March 2025.</p> <p>These valuations involve a wide range of assumptions and source data and are therefore sensitive to changes in market conditions. ISAs (UK) 500 and 540 require us to undertake audit procedures on the use of external expert valuers and the methods, assumptions and source data underlying the fair value estimates.</p> <p>These valuations represents a key accounting estimate made by management within the financial statements due to the size of the values involved, the subjectivity of the measurement and the sensitive nature of the estimate to changes in key assumptions. We have therefore identified the valuation of other land and buildings and investment property as a significant risk.</p> <p>We will further pinpoint this risk to specific assets, or asset types, on receipt of the draft financial statements and the year-end updated asset valuations to those assets where the in-year valuation movements falls outside of our expectations.</p> <p><b>Inherent risk of material misstatement (valuation): High</b></p>	<p>Procedures performed to mitigate risks of material misstatement in this area will include:</p> <ul style="list-style-type: none"> <li>• Evaluating management processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work;</li> <li>• Evaluating the competence, capabilities and objectivity of management's valuation expert;</li> <li>• Considering the basis on which the valuations are carried out and challenging the key assumptions applied;</li> <li>• Evaluating the reasonableness of the valuation movements for assets revalued during the year, with reference to market data. We will consider whether we require an auditor's expert;</li> <li>• For unusual or unexpected valuation movements, testing the information used by the valuer to ensure it is complete and consistent with our understanding;</li> <li>• Ensuring revaluations made during the year have been input correctly to the fixed asset register and the accounting treatment within the financial statements is correct; and</li> <li>• Evaluating the assumptions made by management for any assets not revalued during the year and how management are satisfied that these are not materially different to the current value.</li> </ul>

# Significant risks of material misstatement

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

# Significant risks of material misstatement

Identified risk	Planned audit procedures
<p><b>Implementation of IFRS 16 (key accounting estimate) - Relates to Council and Group</b></p> <p>IFRS 16 was adopted and implemented by local government bodies under the Code of Audit Practice from 1 April 2024. Under IFRS 16 a lessee is required to recognise a right of use asset and associated lease liability in its Balance Sheet. This will result in significant changes to the accounting for leased assets and the associated disclosures within the financial statements for the year ended 31 March 2025.</p> <p>The implementation of this new accounting standard also represents a key accounting estimate made by management within the financial statements due to the size of the values involved, the subjectivity of the measurement upon recognition of the right of use asset and associated lease liability. We have therefore identified the implementation of IFRS 16 as a significant risk.</p> <p>The Council will also need to consider the impact of IFRS16 on the income strip arrangement and how this is accounted for within the financial statements.</p> <p><b>Inherent risk of material misstatement – lease liabilities and right of use assets (valuation and completeness): High</b></p>	<p>Procedures performed to mitigate risks of material misstatement in this area will include:</p> <ul style="list-style-type: none"> <li>• Assessing the appropriateness of the Council's approach to identification of leases captured within the scope of IFRS 16, with a particular focus on ensuring completeness of leases;</li> <li>• Performing a walkthrough of the council's systems and processes to capture the data required to account for right of use lease assets and associated liability in accordance with IFRS 16;</li> <li>• Reviewing the council's accounting policies for the year ended 31 March 2025 to reflect the requirements of the new accounting standard;</li> <li>• Assessing the existence, valuation, accuracy and completeness of the right of use assets and associates lease liabilities, and the related disclosures within the financial statements;</li> <li>• Assessing and testing Council's method of valuing the lease liability attributed to the Croxley Park income strip scheme; and</li> <li>• Evaluating whether Right of Use assets and lease liabilities have been appropriately remeasured in line with the requirements of IFRS 16 as set out in the CIPFA Code.</li> </ul>

# Other risks of material misstatement

## Other identified risks

Other identified risks are those which, although not considered to be significant, will require specific consideration during the audit.

Identified risk	Planned audit procedures
<p><b>Other risk 1: Minimum revenue provision (MRP)</b></p> <p>Linked to the risk of ‘misstatements due to fraud and error’, we consider specific areas where management makes significant judgements that impact charges to the General Fund balance. Local authorities are required to charge a ‘Minimum Revenue Provision’ (MRP) to the General Fund in each financial year related to borrowing. The calculation of this charge is based on the Capital Financing Requirement. Local authorities have flexibility in how they calculate MRP but need to ensure the calculation is prudent. In calculating a prudent provision, local authorities are required to have regard to statutory guidance. There is a risk that the Council may not been appropriately prudent in its calculation of MRP and/or not followed the relevant statutory guidance.</p>	<p>Procedures performed to mitigate risks of material misstatement in this area will include:</p> <ul style="list-style-type: none"><li>• Gaining an understanding of the processes and controls put in place by management to calculate the Minimum Revenue Provision (MRP)</li><li>• Assessing and reviewing the calculation of the Capital Financing Requirement to ensure it is appropriate and consistent with other notes in the financial statements</li><li>• Reviewing the MRP Policy statement and confirming consistency with prior year or any changes thereof</li><li>• Evaluating the appropriateness of the Council’s MRP policy</li><li>• Evaluating whether the MRP has been appropriately calculated in accordance with the latest statutory guidance.</li></ul>

## Other material balances and transactions

Under International Standards on Auditing, “irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure”. All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as those adopted for the risks identified in this report.

# Value for money

Under the Code of Audit Practice, we must satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (referred to here as “Value for Money”, or “VFM”).

NAO Auditor Guidance Note 03 ‘Auditors’ Work on Value for Money Arrangements’ (“AGN 03”) was updated and issued on 14 November 2024 and requires us to provide an annual commentary on arrangements, which will be published as part of the Auditor’s Annual Report. Such commentary will highlight any significant weaknesses in arrangements, along with recommendations for improvements.



When reporting on such arrangements, the Code of Practice requires us to structure our commentary under three specified reporting criteria:

Financial sustainability	How the body plans and manages its resources to ensure it can continue to deliver its services
Governance	How the body ensures that it makes informed decisions and properly manages its risks
Improving economy, efficiency and effectiveness	How the body uses information about its costs and performance to improve the way it manages and delivers its services

# Value for Money

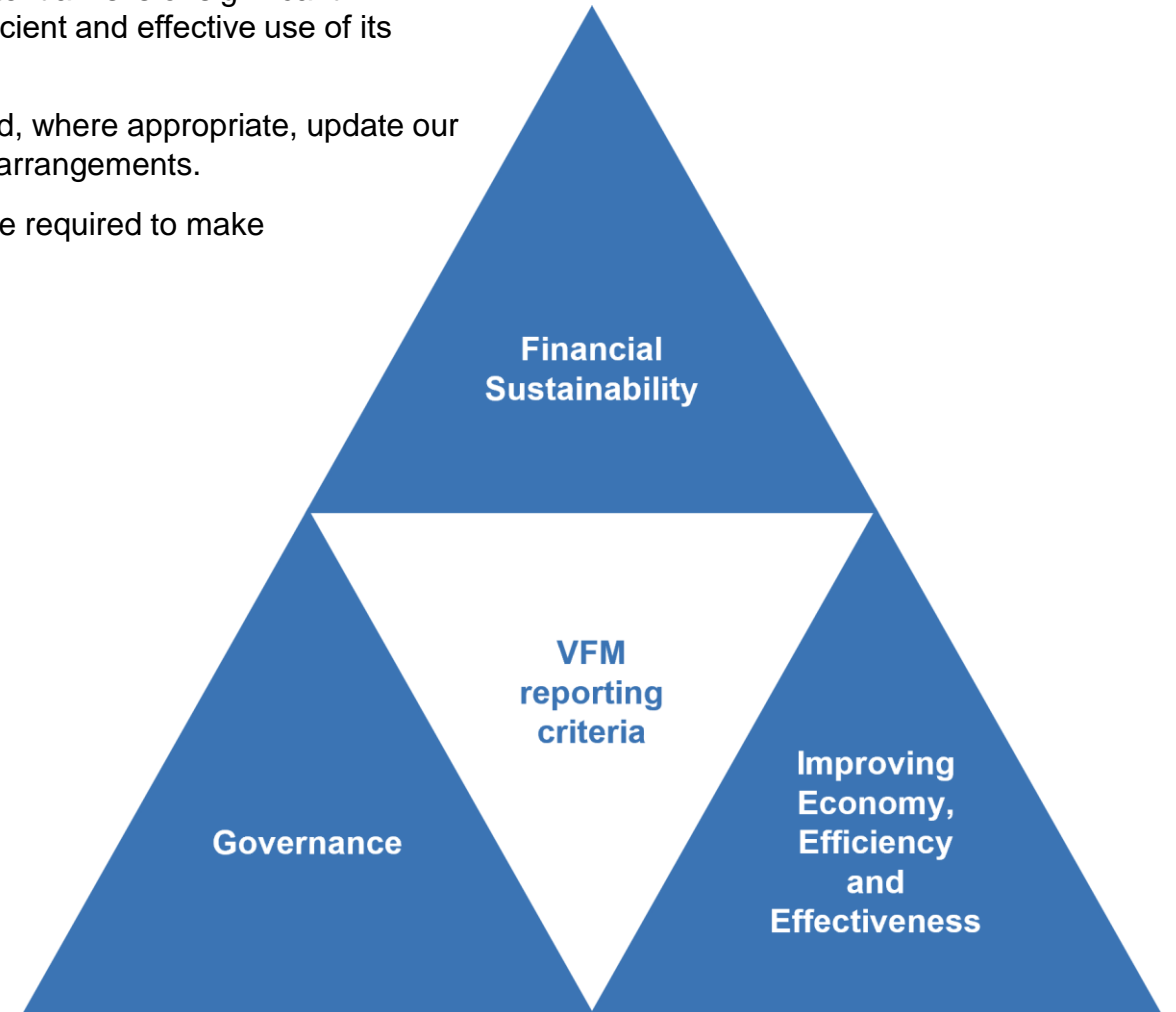
As part of the planning process, we are required to perform procedures to identify potential risks of significant weaknesses in the Council's arrangements to secure VFM through the economic, efficient and effective use of its resources.

We are required to re-evaluate this risk assessment during the course of the audit and, where appropriate, update our work to reflect emerging risks or findings that may suggest a significant weakness in arrangements.

Where we identify significant weaknesses in arrangements as part of our work, we are required to make recommendations setting out:

Page 70

- Our judgement on the nature of the weakness identified;
- The evidence on which our view is based;
- The impact on the local body; and
- The action the body needs to take to address the weakness.



# Value for Money

## Risks of significant weakness in VFM arrangements

We have carried out an initial risk assessment to identify any risks of significant weakness in respect of the three specific areas of proper arrangements using the guidance contained in AGN 03. A significant weakness is a risk requiring audit consideration and procedures to address the likelihood that proper arrangements are not in place at the body to deliver value for money.

We will re-evaluate this risk assessment during the course of the audit and, where appropriate, update our work to reflect emerging risks or findings that may suggest a significant weakness in arrangements.

When considering the Council's arrangements, we will have regard to the three reporting criteria set out in AGN03, as well as performing additional work in the areas identified below which are the potential areas of significant weaknesses, we have identified at the planning stage.

Criteria	Potential risk of significant weakness	Our risk based procedures and evaluation approach includes (but is not limited to)
Financial sustainability	None identified	We have not identified any risks of significant weakness at this stage. However, there are financial risks present which, if not managed effectively over the short to medium term, could introduce significant weakness in future years. These relate primarily to the financial performance of the income strip scheme. In particular, we will consider, as part of our review, the arrangements in place to monitor and mitigate the commercial, economic and other risks relating to the Council's significant income strip scheme.
Governance	None identified	We have not at this stage identified any risks of significant weakness that require specific audit procedures
Improving economy, efficiency and effectiveness	None identified	We have not at this stage identified any risks of significant weakness that require specific audit procedures

Weaknesses or risks identified by auditors are only those which have come to their attention during their normal audit work in accordance with the Code of Audit Practice and may not be all that exist.

# Audit team and logistics

## Your audit team

Role	Name	Contact details
Key Audit Partner	Paul Grady	<a href="mailto:Paul.grady@azets.co.uk">Paul.grady@azets.co.uk</a>
Engagement Manager	Reshma Ravikumar	<a href="mailto:Reshma.Ravikumar@azets.co.uk">Reshma.Ravikumar@azets.co.uk</a>
In-charge auditor	Thinga Mutati	<a href="mailto:Thinga.mutati@azets.co.uk">Thinga.mutati@azets.co.uk</a>

Page 72

## Timetable

Event	Date
Planning and risk assessment	Jan – Mar 2025
Reporting of plan to Audit Committee	June 2025
Publication of draft accounts	30 June 2025
Year end audit	Sep – Nov 2025
Auditor’s Annual Report (AAR)	Nov 2025
Reporting of Audit Findings (ISA260)	Feb 2026
Target date of approval of accounts	Feb 2026
Accounts publication deadline (as specified in the Accounts and Audit (Amendments) Regulations 2024)	27 Feb 2026

## Our expectations and requirements

For us to be able to deliver the audit in line with the agreed fee and timetable, we require the following:

- Draft financial statements to be produced to a good quality by the deadlines you have agreed with us. These should be complete including all notes, the Narrative Statement and the Annual Governance Statement;
- The provision of good quality working papers at the same time as the draft financial statements. These will be discussed with you in advance to ensure clarity over our expectations;
- The provision of agreed data reports at the start of the audit, fully reconciled to the values in the accounts, to facilitate our selection of samples for testing;
- Ensuring staff are available and on site (as agreed) during the period of the audit;
- Prompt and sufficient responses to audit queries within two working days (unless otherwise agreed) to minimise delays.

The audit process is underpinned by effective project management to ensure that we co-ordinate and apply our resources efficiently to meet your deadlines. It is therefore essential that the audit team and the Council’s finance team work closely together to achieve this timetable.



# Independence, objectivity and other services provided

## Auditor independence

We confirm that we comply with the Financial Reporting Council's (FRC) Ethical Standard and are able to issue an objective opinion on the financial statements. We have also complied with the NAOs Auditor Guidance Note 01, issued in September 2022, which contains supplementary guidance on ethical requirements for auditors of local public bodies. We have considered our integrity, independence and objectivity in respect of audit services provided and we do not believe that there are any significant threats or matters which should be brought to your attention.

## Other services

We have detailed in the table below any other services provided to the Council (and the Group), the threats to our independence these present and the safeguards we have put in place to mitigate these threats.

Service	Provided to	Fee	Threats identified and Safeguards to mitigate threats to independence
Audit related: Certification of Housing Benefit Assurance Process (HBAP) claim (2024/25)	Council	£28,000 plus per diem rate for additional work required	<p><b>Self-interest:</b> Given this is likely to be a recurring fee, we consider a threat present. However, the fee is not significant to Azets Audit Services or Watford Borough Council. The fee is fixed (apart from an additional £2,000 for each additional 40+ workbook) and not contingent in nature.</p> <p><b>Self-review:</b> Whilst housing benefit revenue and expenditure streams are within the financial statements, we do not complete the claim form. The focus of our work is solely testing the data in the claim form prepared by the management.</p> <p><b>Management:</b> As above, the claim form is completed by management and any adjustments or amendments identified to the form during the certification work are discussed and agreed by management prior to submission of the certification report.</p> <p>We therefore consider these risks sufficiently mitigated.</p>

# Fees

PSAA set a fee scale for each audit that assumes the audited body has sound governance arrangements in place, has been operating effectively throughout the year, prepares comprehensive and accurate draft accounts and meets the agreed timetable for audit. This fee scale is reviewed by PSAA each year and adjusted, if necessary, based on auditors' experience, new requirements, or significant changes to the audited body. The fee may be varied above the fee scale to reflect the circumstances and local risks within the audited body.

Our estimated fee (excluding VAT) is as follows. This fee is estimated based on our understanding at this point in time and may be subject to change. Our planned fee is on the basis that our expectations set out on pages 4 and 31 are met.

	2024/25 £
Scale fee: base fee for the audit of the Council (and Group's) financial statements (as set out in the fee scales issued by PSAA)	185,941
IFRS16: work needed to audit the new standard. PSAA have confirmed this work is not included in the above scale fee	TBC
Disclaimer work (note 1)	TBC
Build back work (note 2)	TBC
<b>Total audit fee for Three Rivers District Council</b>	<b>TBC</b>

**Note 1:** this includes the additional annual work required to consider the disclaimed audits from prior years, development of revised approach for the Council in response to the missing assurance, the production, agreement and reporting of additional interim progress reports to management and the Audit Committee, the development and reporting of a revised 'Audit Completion Report' for reporting the additional considerations arising from the disclaimers, the drafting of a disclaimed audit report and the various risk, compliance and technical consultations arising as a result of this unique and unprecedented situation.

**Note 2:** this includes all work for phases 2 and 3 which require building back assurance to the last clean opinion

It is our policy to bill for overruns or scope extensions e.g., where we have incurred delays, deliverables have been late or of poor quality, where key personnel have not been available, or we have been asked to do extra work.

Our policy is to raise fees to account at appropriate stages of the audit in line with specified milestones set out by PSAA. All fee variations are subject to determination by PSAA.

The approximate total fees charged to the Council and group for the provision of services in 2024/25 is as follows:

Audit fee	2024/25 £
Audit of the Council (scale fee)	185,941
IFRS16	TBC
Certification of the HBAP Claim (Excluding additional workbooks)	28,000
Additional certification work on HBAP claim (additional workbooks)	TBC
<b>Total fees for the Council</b>	<b>TBC</b>

# Appendix I: Group audit scope and risk assessment

As Group auditor under ISA (UK) 600 (Revised September 2022) we are required to obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

The auditing standard for group engagements has been revised, as a result the key changes that you may see reflected in the audit plan are:

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

## Group audit scope

The Group consists of the following entities:

Component	Nature and extent of further audit procedures	Planned audit approach
Three Rivers District Council	Full Scope	Full scope statutory audit, as set out in this audit plan.
Three Rivers Homes LTD (Joint Venture)	Specific Scope	Procedures to Ensure Accurate Treatment of the Council's share in the Joint Venture
Three Rivers Commercial Services (TRCS) Ltd (Subsidiary)	None	No procedures planned
Three Rivers Development LLP (joint venture with TRCS Ltd)	None	No procedures planned

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

The risks identified at the Council and group level are set out in this external audit plan. Note that a component may require a statutory audit under UK or overseas company law irrespective of whether an audit is required for group reporting purposes. Management should therefore satisfy themselves that all UK and overseas company law requirements are adhered to on a company-by-company basis.



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# Three Rivers District Council

## Auditor's Annual Report

Page 77  
Year ended 31 March 2024

May 2025



*We are required to satisfy ourselves under s20(1)(c) of the Local Audit and Accountability Act 2014 that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We report to you if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements are operating effectively.*

# Contents

Key messages	3
Financial statements	6
Value for money	7
Recommendations	23

## Appendices

I. Financial statements audit risks	25
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Detailed findings from our audit of the financial statements are communicated in the following reports:

- audit opinion on the financial statements for the year ended 31 March 2024
- audit findings (ISA 260) report to Those Charged with Governance

We performed our audit in accordance with International Standards on Auditing (UK). This report has been prepared in line with the National Audit Office's Code of Audit Practice 2020 (the "Code") and is required to be published by the Council alongside the annual report and accounts. Our reports are prepared in accordance with ISAs (UK), the Code, all associated Audit Guidance Notes issued by the National Audit Office and relevant requirements of the Local Audit and Accountability Act 2014.

# Key messages

The purpose of the Auditor's Annual Report is to bring together all the auditor's work over the year. This includes the audit work carried out on the Council's financial statements and the audit work we are required to carry out under the Code on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources (the value for money (VFM) arrangements).

A core element of the report is our commentary on VFM arrangements, which aims to draw to the attention of the members of the Council and the wider public relevant issues, recommendations arising from the auditor's work and the auditor's view on whether previous recommendations have been implemented satisfactorily.

Area of work	Our responsibilities	Conclusions
<div>Page 79</div> <div>Financial statements</div>	<p>We were appointed as auditors to perform an audit of the financial statements of the Council and group in accordance with International Standards on Auditing (UK) (ISAs (UK)), which are directed towards forming and expressing an opinion on the financial statements that have been prepared on behalf of management with the oversight of Those Charged with Governance.</p> <p>However, <a href="#">The Accounts and Audit Regulations 2015</a>, as amended by the <a href="#">Accounts and Audit (Amendment) Regulations 2024</a>, imposed a statutory backstop date of 28 February 2025 for the publication by the Council and group of their final Statement of Accounts for 2023/24. The Code specifies that (except in a few exceptional circumstances) auditors are required to issue their auditor's report before this date, even if planned audit procedures are not fully complete, so that local government bodies can comply with this statutory reporting deadline.</p> <p>We considered whether the time constraints imposed by the backstop date meant that we would not be able to complete all necessary procedures to obtain sufficient, appropriate audit evidence to support our audit opinion and fulfil all the objectives of all relevant ISAs (UK). These time constraints were further restricted by the earlier statutory backstop date of 13 December 2024, which led to the financial statements for 2020/21, 2021/22 and 2022/23 being disclaimed by the predecessor auditor on 13 December 2024.</p>	<ul style="list-style-type: none"> <li>• The disclaimed audit opinions issued on each of the last three years' financial statements by the predecessor auditor resulted in a lack of assurance on the Council and group's opening balances as at 1 April 2024. The lack of assurance over opening balances, together with the statutory backstop date for 2023/24, impacted on the audit procedures that we had planned to undertake to gain assurance on the 2023/24 financial statements. There was insufficient time and resource available for us to gain sufficient assurance during the 2023/24 audit, including recovering missing assurance from earlier years, before the statutory backstop date.</li> <li>• We therefore disclaimed our opinion on the Council's 2023/24 accounts on 27 February 2025.</li> <li>• The responsibilities of the Council and Those Charged with Governance remain unchanged. The Council's Responsible Finance Officer has a responsibility under <a href="#">The Accounts and Audit Regulations 2015</a> to confirm that the Accountability Statements included in the Statement of Accounts give a true and fair view. Those Charged with Governance have an essential role in ensuring that they have assurance over the quality and accuracy of the financial statements prepared by management and the Council's wider arrangements to support the delivery of a timely and efficient audit.</li> <li>• As part of our 2024/25 audit, we will work with management to develop a recovery plan setting out the work required to return to unmodified audit opinions in the coming years.</li> </ul>

continued.....



# Key messages

Area of work	Our responsibilities	Conclusions
<b>Narrative report and annual governance statement</b> <b>Page 80</b> <b>Value for money</b>	<p>We are required to read and report on whether the other information included in the Statement of Accounts (including the Narrative Report and Annual Governance Statement) is materially inconsistent with the financial statements and our knowledge obtained from the audit or otherwise appears to be materially misstated.</p> <p>We are also required to assess whether the Annual Governance Statement complies with the disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit.</p>	<ul style="list-style-type: none"> <li>• We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Council. We have nothing to report in this regard.</li> <li>• As we concluded we are disclaiming the audit we do not have any findings to report in respect of this work.</li> </ul>
	<p>We are required under Section 20(1)c of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office requires us to report to you our commentary relating to proper arrangements.</p> <p>We assess the arrangements in place for securing economy, efficiency and effectiveness in the Council's use of resources and provide a summary of our findings in the commentary in this report. We are required to report if we have identified any significant weaknesses as a result of this work.</p> <p>We are required to report our commentary under specified criteria: Financial sustainability, Governance and Improving economy, efficiency and effectiveness.</p>	<ul style="list-style-type: none"> <li>• We have not identified any significant weaknesses in the arrangements for securing at economy, efficiency and effectiveness in the use of resources at the Council.</li> <li>• We have made "other" recommendations to support the Council's ongoing improvement.</li> </ul>
<b>Key recommendations</b>	<p>The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their review of the Council's arrangements to secure value for money, they should make recommendations setting out the actions that should be taken by the Council. We consider these to be key, or essential, recommendations.</p>	<ul style="list-style-type: none"> <li>• We did not identify any key recommendations.</li> </ul>

*continued.....*



# Key messages

Area of work	Our responsibilities	Conclusions
Public interest report	Under Section 24, Schedule 7(1)(1) of the Local Audit and Accountability Act 2014 the auditor of the Council must consider whether to make a report in the public interest if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public.	<ul style="list-style-type: none"> <li>We did not identify any matters for which we considered a public interest report to be required as part of our external audit for 2023/24.</li> </ul>
Statutory recommendations	Under Section 24, Schedule 7(2) of the Local Audit and Accountability Act 2014 the auditor of a Council can make written recommendations to the Council which need to be considered by the Council and responded to publicly.	<ul style="list-style-type: none"> <li>We did not identify any matters for which we considered statutory recommendations are required as part of our external audit for 2023/24.</li> </ul>
Application to the court	Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think than an item of account is contrary to law, they may apply to the court for a declaration to that effect.	<ul style="list-style-type: none"> <li>We did not make an application to the court.</li> </ul>
Advisory notice	Under Section 29, Schedule 8 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if they think that the Council, or an officer of the Council, is about to make, or has made, a decision which involves or would involve the Council incurring unlawful expenditure, is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or is about to enter an item of account, the entry of which is unlawful.	<ul style="list-style-type: none"> <li>We did not issue any advisory notices.</li> </ul>
Judicial review	Under Section 31, Schedule 8 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure to act by an authority, which it is reasonable to believe would have an effect on the accounts of that body.	<ul style="list-style-type: none"> <li>We did not make an application for judicial review.</li> </ul>

# Financial statements

*The Statement of Accounts and financial statements included therein are an important tool for the Council to show how it has used public money and how it can demonstrate its financial health.*

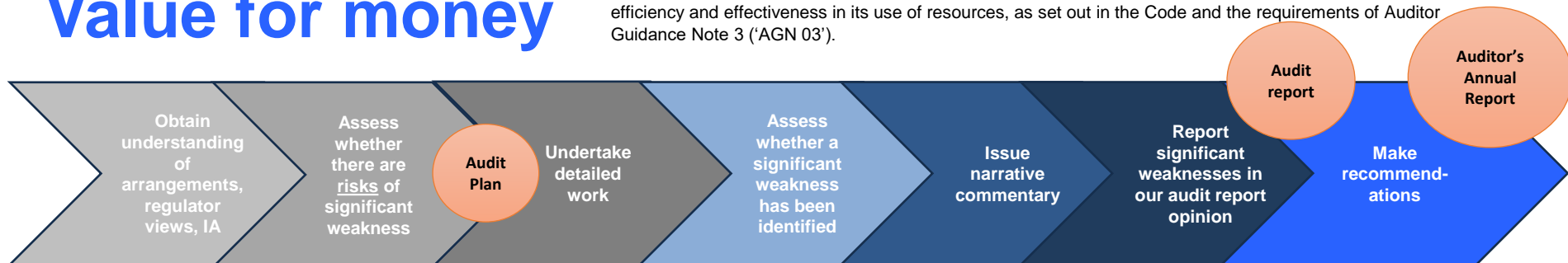
*We were appointed as auditors to perform the audit in accordance with International Standards on Auditing (UK) (ISAs (UK)).*

*We are independent of the Council in accordance with applicable ethical requirements, including the Financial Reporting Council's Ethical Standard.*

Area of work	Conclusions
<b>Audit opinion on the financial statements</b>	We issued a disclaimed opinion on the Council's financial statements on 27 February 2025.
<b>Audit Completion (ISA260) report</b>	Further details of the work we undertook can be found in our ISA260 report, which was reported to the Council's audit committee on 26 February 2025. Requests for this report should be directed to the Council. The significant risks we identified as part of our audit are set out in Appendix I.
<b>Internal control recommendations</b>	Recommendations relating to internal control arising from our financial statements work are contained in the Audit Completion (ISA260) report. None of the recommendations we made reflected significant weaknesses in the Council's arrangements to secure economy, efficiency and effectiveness in the Council's use of resources and, as such, are not considered key recommendations.
<b>Whole of Government accounts</b>	<p>We are required to carry out specified procedures on behalf of the NAO on the WGA consolidation pack under WGA group audit instructions.</p> <p>The Council does not exceed the threshold for detailed testing. However, we are required to issue an assurance statement to the NAO, including where an audit is disclaimed.</p>
<b>Preparation of the accounts</b>	Under <a href="#">The Accounts and Audit Regulations 2015</a> the deadline for the production and approval for the draft financial statements was 31 May 2024. The Council did not prepare its draft accounts in line with this deadline as, at the time, the prior year audit remained in progress. The draft financial statements were published and made available for inspection on the Council's website on 3 December 2024.

# Value for money

We are required to consider whether the Council has established proper arrangements to secure economy, efficiency and effectiveness in its use of resources, as set out in the Code and the requirements of Auditor Guidance Note 3 ('AGN 03').



## Updated risk assessment

At the time of making our initial risk assessment in January 2024 the predecessor auditor had not concluded their value for money work. We reported at the time that, upon completion of their work by the predecessor auditor, we would reconsider our planning assumptions and update our risk assessment as appropriate to take account of the findings reported. The predecessor auditor reported interim findings in March 2024 and finalised their work in November 2024. The impact on our risk assessment is set out in the table below.

Criteria	Significant weaknesses reported by prior year auditor in 2022/23	Key recommendations made by prior year auditor in 2022/23	Impact on 2023/24 risk assessment
Financial sustainability	None identified	None identified	No significant risks identified
Governance	None identified	None identified	No significant risks identified
Improving economy, efficiency and effectiveness	None identified	None identified	No significant risks identified

# Value for money 2023/24 outcome

In undertaking our work, we have not identified any significant weaknesses in arrangements. This was reported to the Audit Committee on 26 February 2025. Our detailed commentary is set out on the following pages.

Reporting criteria	Initial planning – risk of significant weakness identified?	Updated planning – risk of significant weakness identified?	Final – significant weakness identified?	Key recommendations made?	Other recommendations made?
<b>Financial sustainability</b> How the body plans and manages its resources to ensure it can continue to deliver its services	No	No	No	No	Yes
<b>Governance</b> How the body ensures it makes informed decisions and properly manages risk	No	No	No	No	No
<b>Improving economy, efficiency and effectiveness</b> How the body uses information about its costs and performance to improve the way it manages and delivers its services	No	No	No	No	No

# Value for money

In addition to our financial statements work we performed a range of procedures to inform our value for money commentary, including:

- Meeting with management and regular meetings with senior officers
- Interviews as appropriate with other executive officers and management
- Review of Council and committee reports and attendance at audit committee meetings
- Reviewing reports from third parties
- Considering the findings from our audit work on the financial statements
- Review of the Council's Annual Governance Statement and Narrative Report and other publications
- Considering the work of internal audit and the counter fraud function
- Consideration of other sources of external evidence.

Councils are responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in their use of resources. This includes managing key operational and financial risks and taking properly informed decisions so that they can deliver their objectives and safeguard public money.

As auditors, we are required to consider whether the Council has established proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We performed risk assessment procedures at the audit planning stage to identify any potential areas of significant weakness which could result in value for money not being achieved. This included considering the findings from other regulators and internal auditors, reviewing records at the Council and performing procedures to gain an understanding of the high-level arrangements in place. The resulting risk areas we identified were set out in our audit plan.

For each identified risk area, we performed further procedures during our audit to consider whether there were significant weaknesses in the processes in place at the Council to achieve value for money.

The NAO Code of Audit Practice requires us to structure our commentary on VFM arrangements under three reporting criteria: financial sustainability, governance and improving economy, efficiency and effectiveness.

We have set out on the following pages our commentary and findings on the arrangements at the Council in each area.

## Summary of findings

Based on the audit work performed, we have not identified any significant weaknesses in the Council's arrangements for achieving value for money and have therefore not raised any key recommendations. We have raised other recommendations in respect of the Council's financial sustainability arrangements.

# Value for money

## Introduction

Three Rivers Council (the Council) is a district council in south west Hertfordshire. It works with nine other district and borough councils, local parish and town councils and Hertfordshire County Council (which includes Hertfordshire Fire and Rescue Service) in a three-tier local government system. The administrative area also includes the Hertfordshire Police and Crime Commissioner and Hertfordshire Constabulary. The Council serves a population of circa 90,000 people. The Council has entered into a number of large capital and investment schemes to promote regeneration and generate income for the Council. Some of these investment schemes carry significant financial risk. The Council faces, over the medium term, growing financial challenge and increasing uncertainty over its longer-term income predictions, including in respect of its investment in the Wimbledon 'income strip' investment.

Like all councils and the wider local government sector, Three Rivers continues to face significant challenges. The sector faces high levels of uncertainty over future levels of government funding and, for a number of years, has had to plan on the basis of single-year settlements. This makes it harder to produce comprehensive multi-year plans as part of medium-term financial planning. The government has signaled an intention to return to multi-year settlements in the future and announced a national overhaul of local government, reorganizing multi-tier council areas into a series of unitary authorities with devolved powers at a regional, mayoral level. The changes proposed would impact Three Rivers which, like all districts, would be absorbed into a larger unitary council from 1 April 2028 according to the current planned timescales. Work is currently ongoing to present options for reorganization in response to government requirements.

High inflation over recent years has increased cost pressures on all councils' revenue and capital expenditure and, whilst it had been falling, in February 2025, inflation had increased again to 3%, indicating reduced certainty about what the future may hold, economically. High interest rates have provided the Council with fortuitously higher than expected interest income on cash balances, but the combination of higher inflation and higher interest rates impacts local communities, including the community the Council serves in Three Rivers. This can lead to increases in demand for council services and impact on council income in areas such as car parking and collection rates for council tax, business rates and rents.

The Local Government Association continues to estimate that the costs to councils of delivering their services will exceed core funding in the future. Nationally, there has been an increase in the number of councils issuing s114 notices or indicating one may be likely.

Three Rivers has arrangements in place to mitigate the macro-risks posed by the national context and, at present, a reasonable level of general fund reserves. However, these could be significantly depleted over the next few years if macro-economic conditions are unfavourable and the uncertainty inherent in the Council's cost and income assumptions do not crystallise in the Council's favour.

# Financial sustainability

This relates to how the Council plans and manages its resources to ensure it can continue to deliver its services.

We considered the following areas:

- how the Council identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into the plans;
- how the Council plans to bridge its funding gaps and identifies achievable savings;
- how the Council plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities;
- how the Council ensures that its financial plan is consistent with workforce, capital, investment, and other operational plans, which may include working with other local public bodies as part of a wider system; and
- how the Council identifies and manages risks to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

## General fund

At 31 March 2024, the Council's general fund stood at £4.3m, a slight reduction from the general fund balance at 31 March 2023 of £5m. However, the level of earmarked reserves increased during the year from £16.6m to £20.5m, meaning the overall level of useable general fund reserves available to the Council now stands at £24.8m, compared to £21.6m a year ago. This is a reasonable level of reserves; the Council's net expenditure on services in 2023/24 was £19.6m and this level of reserves provides a good buffer for unexpected short-term shocks.

However, whilst earmarked reserves can be utilised if Members decide to change their use, they are earmarked for specific purposes in anticipation of specific costs. The general fund balance of £4.3m as at 31 March 2024, whilst currently healthy and significantly higher than the Council's minimum level of £2m, is the true reserve for 'unanticipated' cost pressures. The earmarked reserves also include an Economic Impact Reserve ('EIR'), to manage risk. This was £1.5m at the end of March 2024 and is available to manage future economic downturn or loss of business rates. It is assumed that £0.478 million will be utilised from the EIR over the MTFP (2024/25 – 2026/27) to manage the reduction in income from the leisure management contract following the legacy impact of COVID-19 on activity levels.

Three Rivers District Council manages its budget in conjunction with the Medium-Term Financial Plan (MTFP). The MTFP is the Council's key financial planning document for the General Fund. It sets out the Council's strategic approach to the management of the General Fund and contains key assumptions over council tax levels, income, cost and inflation pressures, payroll uplifts, capital funding and treasury management.

This strategy underpins the Council's key priorities for Three Rivers and supports the delivery of these priorities and achievement of strategic outcomes within an affordable financial envelope. The MTFP sets out principles which generate financial security targets and identifies financial pressures and any additional resources for priorities to ensure the Council has a financially sustainable plan.

The MTFP is reviewed annually and serves as a guide for the council's financial planning over a multi-year period. The MTFP includes forecasts for the General Fund, which covers the day-to-day expenses of the council. This involves adjusting for various pressures and savings, such as changes in government funding, inflation, and service demands. Alongside the MTFP, the Council also reviews its Capital Strategy and Treasury management policy, which outlines plans for long-term investments in infrastructure and other capital projects.

The MTFP identifies potential savings and efficiencies to support financial sustainability. This includes reviewing service delivery models and exploring new income generation opportunities. The strategy also considers borrowing costs, and investment returns so that the Council can fund its projects while maintaining financial stability. The Council engages with the public and stakeholders to gather input on budget priorities and enhance transparency in the financial planning process.

The Council's Financial plan is completed as part of wider engagement with the Senior Leadership Team (SLT). The first stage of the annual budget setting process is a review of pressures that might impact the council such as new legislation or Council priorities.

# Financial sustainability

The Council approved as part of its budget an additional £75k funding for the Three rivers Climate Emergency and Sustainability Strategy to support the Council in meeting its climate change priorities of Three Rivers Net Zero by 2045. The Council approves the budget in February of every year.

Informing the budget are Capital Strategy reports (reported quarterly) and service plans. These are constructed with input from the Senior Leadership Team and identify budget requirements. There is a quarterly monitoring process reported to Clearance Boards and the Executive. All heads of service are required to complete a 3-year savings, growth and capital needs form that feeds into a Star Chamber process, reviewed by the Council's Directors and reported to SLT for sign off.

The Revenue and Capital investment plans are approved as part of the budget setting process. The Council also has shared partnerships which require joint approval of spending requirements for Audit, Anti Fraud, Building Control, Revenue and Benefits and ICT.

The Council maintains a risk register to which each service is required to contribute both in terms of identifying risks and monitoring them on a quarterly basis for reporting to Members. The SLT approves any changes and reviews the effectiveness of the Risk Management guide following recommendations from the Corporate Risk Group. The Audit Committee receives a report on these and comments or advises as appropriate.

The Council's assumptions in its financial strategy are not unreasonable and are supported by well-thought through rationale. Unavoidably, there remains risk attached to them. The strategy assumes both general inflationary increases of 4% in 2025/26 and a continued 4% per annum each year thereafter. It is assumed that the continued high inflation is also likely to increase demand for some key services and impact on council tax revenues. These assumptions appear prudent and reasonable.

Like all councils, Three Rivers faces ongoing and increasing financial pressures. The general fund has been used to support the in-year budgets in recent years. This is not a sustainable strategy, although the amount needed has been reducing year on year and the general fund balance has remained above the minimum level of £2m set by the Director of Finance.

Though it is expected that the inflationary pressures and cost of living crisis will have an impact on Business rates and council tax, Three Rivers' collection rates have been favourable year on year: the Council tax 2024/25 collection target was 81.7% and compares to an actual collection rate of circa 95%; and the Business Rates 2024/25 collection target of 82.5% compares to an actual collection rate of circa 88%.

The MTFP assumes the savings targets will be achieved in full to avoid further reliance being placed on in-year use of general fund reserves over the period to 2026/27. The Council recognises there is an inflationary impact on utility costs and interest rates impacting the borrowing costs. The Council does not have additional borrowing needs for 2024/25 and the higher interest rates produce favourable returns for the Council through the investment of cash balances.

Notwithstanding the challenging financial pressures over the MTFP period, the Council's arrangements for identifying its financial and economic risks and understanding its position are strong. The MTFP is well-thought-through and management are responsive to in-year changes to income and cost and their impact both in the current year and future MTFP plans. The Council's financial management in-year has enabled it to reduce its draw on General Fund reserves compared to previous years. Risks associated with the assumptions in the MTFP are well-understood and well-articulated and the MTFP is a detailed, granular strategy with an in-depth level of consideration across all areas of funding, costs and risks.



# Financial sustainability

## The Minimum Revenue Provision

The Council is required, each year, to set a Minimum Revenue Provision (the MRP). The MRP refers to the amount charged to the revenue budget for the repayment of debt (as measured by the underlying need to borrow, rather than actual debt).

The underlying debt is needed to finance the capital programme. Capital expenditure is generally expenditure on assets which have a life expectancy of more than one year e.g. buildings, vehicles, machinery etc. It is therefore prudent to charge an amount for the repayment of debt over the life of the asset or some similar proxy figure, allowing borrowing to be matched to asset life. Setting aside an amount for the repayment of debt in this manner allows for future borrowing to be taken out to finance the asset when it needs replacing at no incremental cost. The manner of spreading these costs is through an annual Minimum Revenue Provision.

It is important, therefore, that the MRP is sufficiently prudent to avoid longer term financial sustainability risks. Indicators of prudence can be seen by comparing the MRP against the capital financing requirement (CFR) and the total borrowings held by the Council. A level of MRP which is lower than 2% of the CFR and 3% of total borrowings indicates increased financial risk in the medium to long term.

We have evaluated the Minimum Revenue Provision (MRP) for the Council for the financial year 2023/24, analysing the relationship to the Capital Financing Requirement (CFR) and total borrowings. Specifically for 2023/24, the MRP charge as a percentage of the CFR is 1.13%, while MRP as a percentage of borrowings stands at approximately 5.16%. We normally would expect a prudent level of MRP to exceed 3% of borrowings and therefore we believe the Council has a lower MRP than we would expect in relation to the CFR. This poses some risks to the Council's longer-term financial sustainability. Per discussion with management, the MRP charges to the general fund were missed in 2022/23 and 2023/24. While maintaining a low MRP may temporarily improve short-term financial flexibility, it poses several risks that could impact the Council's financial health in the medium to longer term.

A low MRP results in slower repayment of the CFR, leading to the accumulation of long-term debt. A low MRP also limits the ability to borrow further for new capital projects, as a higher CFR reduces headroom under statutory and policy borrowing limits. The council also has a statutory responsibility to ensure it is providing a prudent MRP charge under the Local Government Act 2003.

The analysis below outlines the Council's borrowing levels over the past five financial years:

Year	2023/24 £000	2022/23 £000	2021/22 £000	2020/21 £000	2019/20 £000
<b>Borrowings Amount £000</b>	8,009	6,252	8,009	16,009	24,000
<b>% Increase / Decrease</b>	28%	(22%)	(50%)	(33%)	

There has been an overall 67% decrease in borrowings in the last five financial years. The council is not overly reliant on borrowings to support capital investment. This positive trend, combined with a balanced Minimum Revenue Provision (MRP) relative to borrowings, indicates that debt repayment is well-aligned with financial obligations. The council's debt management strategy at this time suggests a reduction in long-term financial risk and enhances its capacity for future investment in services and infrastructure.

Management should review the current provision in future years to ensure that the annual MRP adjustment is adequate and prudent, considering the CFR and borrowing levels, and ensure longer term financial risks are contained.

# Financial sustainability

## The Wimbledon 'income strip'

Three Rivers District Council entered into an income strip agreement for 27-39A Hartfield Road, Wimbledon in December 2022. The council acquired a 50-year leasehold interest in the asset, with option to purchase the freehold for £10 at the end of the term.

An income strip agreement typically involves a long-term lease arrangement, under which the council commits to making lease payments while benefiting from the redevelopment and regeneration of the asset and increased rental income it is hoped this will generate. In essence:

- The Council enters into a long-term finance lease with the investor and is required to make annual, index-linked lease payments for, in this case, 50 years
- The investor provides access to its preferred developer, who regenerates the asset and the numerous constituent units
- The units are leased out and rental income from these units is retained by the Council
- At the end of the 50 year lease, the assets are handed to the Council.

The terms of the proposed 50-year lease include a starting annual rental payment of £1.45 million that is payable to the investor. This is subject to annual Retail Price Index (RPI) indexation with a floor (minimum increase) of 1% and cap (maximum increase) of 4%.

The Council's financial arrangement was structured to ensure a sustainable long-term revenue stream. Under this arrangement, the Council receives an annual income of £200,000, allocated to the revenue account to support service delivery, while an additional £300,000 per annum is directed into a sinking fund to mitigate financial risks for the first five years of the lease agreement. This fund serves as the primary source for covering any expenditure not met by income, with the reserve fund projected to reach £4.9 million by the end of the 50-year term. The council is entitled to the full £1.9 million annual passing rent from occupational tenants, with the rental income received index-linked to RPI, subject to a 1-4% cap and collar, compounded every five years.

The Council assumes responsibility for the risk associated with rental income and the planned and preventative maintenance of the building structure and roof, although these costs are recoverable from occupational tenants through a service charge. The asset contains long term tenants, including an established hotel chain. The risk to the Council of the cost of inflation linked payments to the investor is, to an extent, mitigated by the fact that the Council's own tenants are subject to a similar inflation linked tenancy, meaning the income received rises in line with the payments the Council is expected to make to the investor. Whilst the overall economic risk sits with the Council – for example, were the hotel to fall not administration, the Council would still be required to pay the investor's annual lease costs – this is to an extent mitigated by the terms of the tenancy agreement in place governing increases in rental income.

Calculations viewed suggest that rental income to the council exceeds lease costs paid to the investor. However, receipts do not exceed the £500k surplus annually and therefore the council is able to claim the income guaranteed by the developer for the first five years of the lease.

As part of the agreement, the investor made a payment to the Council of £3.5m as a contribution towards a sinking fund for the building to mitigate against risks associated with non-payment of rent by tenants and any required refurbishment, although should this not be required the Council is free to use the monies for any purpose. As at 31 March 2024 the council holds an earmarked reserve of £8.8m. This has increased from £3.3m at 31 March 2022.

# Financial sustainability

A decision was taken by the Council as a result of the Covid-19 pandemic to increase the commercial risk reserve. It is our view that the Council is appropriately managing risks regarding the income strip such as future maintenance costs, unforeseen vacancies, tenant defaults and market challenges relating to tenant occupancy which could create revenue gaps, by increasing the commercial risk reserve. However, with the structure of the income strip agreement there is always a risk that earmarked reserve monies are used to fund revenue gaps rather than enhance or maintain the asset which would reduce the reserve over time and potentially create future funding gaps in the longer term.

Under this scheme, all of the economic risk sits with the Council. There is therefore a long-term financial sustainability risk should economic conditions result in an impairment of the asset value and reductions in rental income, whilst at the same time the value of the lease payments owed by the Council will continue to increase by up to 4% each year.

Based on the current level of reserves, we have not identified this as a significant risk to the Council at this current time. However, it is important that the Council continues to monitor this position closely to ensure it is able to meet lease payments that could be inflated by up to 4% annually in the backdrop of a challenging economic market, without this burden falling on the taxpayer for the remaining 48 years.

## Summary

**We have not, at present, identified any significant weaknesses in the arrangements in place to support financial sustainability.** However, there are residual financial risks present which, if not managed effectively over the short term, could introduce significant weakness in future years. This is due primarily to the fact that continuing success of the scheme rests on favourable economic conditions over the remaining 48 years.

The Council has effective arrangements in place to plan and manage its resources to ensure it can continue to deliver its services. It has a good understanding of its financial position and the risks inherent in the forward-looking MTFP. It has a capable, experienced and informed management team who demonstrate a good understanding of the current position and future financial challenge. Arrangements in respect of financial planning, budget setting and control are in place and operating effectively. The Council monitors its Medium-Term Financial Plan (MTFP) through regular updates and reviews, quarterly monitoring reports, executive oversight and public and stakeholder consultation. The MTFP is reviewed annually to ensure alignment with financial goals and economic changes. Quarterly reports update on financial performance, highlighting variances and proposing corrective actions. The Executive Committee regularly reviews the MTFP to ensure targets are met and adjustments are made as needed.

There are indicators of financial strain: MRP is low compared to the Council's CFR, the long-term success of the income strip relies on favourable macro-economic conditions over the next half-century over which the Council has no control, and the continuing pressures on local authority funding is unlikely to improve over the short term. Unfavourable macro economic conditions could result in an impairment of the income strip asset value and reductions in rental income, whilst the cost of the lease continues to increase by up to 4% each year, regardless.

Management is, however, alert to the risks present and is actively considering options to mitigate. The arrangements in place enable management to be aware of and respond to the risks, notwithstanding the significant financial challenge presented and, as such, in considering management capability and the efficacy of the arrangements, we have not, at present, identified any significant weaknesses in the arrangements in place to support financial sustainability

# Financial sustainability

We have raised a number of recommendations in respect of financial sustainability:

1. **Management should review the minimum revenue provision (MRP) in future years to ensure the annual MRP adjustment is adequate and prudent, considering the Council's CFR and borrowing levels, and ensure longer term financial risks are contained.**
2. **The Council should consider the impact of IFRS16 on the Wimbledon income strip scheme, as this standard comes into force from the 2024/25 year of account for the Council.**
3. **The Council should consider whether the Wimbledon income strip scheme contains an embedded derivative – and, if so, whether the derivative is closely associated – and account for this within the financial statements accordingly.**
4. **The Council should ensure the Effective Interest Rate (EIR), and thus the net present value (NPV) of the liability for the scheme, remains appropriate given the scheme's performance, and ensure this is reflected in the financial statements accordingly.**

# Governance

This relates to the arrangements in place for overseeing the Council's performance, identifying risks to achievement of its objectives and taking key decisions.

We considered the following areas:

- how the Council monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud;
- how the Council approaches and carries out its annual budget setting process;
- how the Council 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 Council ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee; and
- how the Council monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests).

The Council has appropriate arrangements in place to assess risk and gain assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud.

The Council considers fraud and counters risk across a broad range of areas. The Council has an approved Risk Management Policy and a Risk Management Guide. Strategic risks are linked to the Council's priorities. The Strategic Risk Register is reviewed and monitored on a quarterly basis. Operational risks are also developed and monitored as part of the service risk registers maintained at the service lead level.

Regular meetings are held between budget managers and finance business partners. Budget monitoring is reported through the Corporate Management Team (CMT) and CMT takes joint ownership of the budget delivery. The managers manage the budgets and there is collective ownership of budgets by CMT. The senior leadership lead on the wider corporate governance agenda, of which risk management is a part, and ensure that all risks are fully considered in all strategic decision making, while the CMT ensure that the Council manages risk effectively in each service within the agreed corporate strategy.

The audit committee considers and reviews the risk management strategy and conducts annual assessments of the operational risk registers.

The Council's risk strategy includes the roles and responsibilities of all those involved in the risk management process.

The Council promotes informed decision-making by creating committees with distinct responsibilities. These committees hold regular meetings to address significant matters as per their terms of reference. Details of these meetings, including agendas, are published on the Council's website to foster transparency and facilitate stakeholder engagement.

Reports are distributed well in advance of meetings to enable members to contribute effectively and raise challenges. The governance process implemented by the Council undergoes independent review by the Audit Committee. At the start of each committee meeting, members and officers are required to declare their interests.

The Council's Monitoring Officer holds overall responsibility for ensuring that the Council acts lawfully and has a statutory duty to report any legal non-compliance. Procedures for report preparation are in place to ensure legal compliance is considered. All reports to CMB, Portfolio Holders, Cabinet and Council contain legal implications and Monitoring Officer's commentary as appropriate.

The Council carried out a project to update its Values and Behaviours in 2023/24. The council also has a full set of HR policies and updates these, as necessary. All reports contain legal implications. The Statutory Officers meet informally on a regular basis and formally along with internal auditors.

The Council has an anti-fraud and corruption strategy and anti-bribery policy. The Council also has a Gifts and hospitality policy which includes guideline on declaration of interests and hospitality.

# Governance

The Council has a whistleblowing policy and a separate email address for this purpose. Allegations of Council Tax Reduction fraud, Council Tax frauds, Blue Badge fraud, Community Infrastructure Levy fraud, Grant Fraud, Business Rates are referred to the Fraud Team by email, or phone.

The Council adopted its Procurement Strategy (2023-2026) in November 2023. The Council's strategic procurement has 5 key aims, which are to enhance value, deliver sustainably, drive innovation, be commercial and ensure compliance. Contracts are actively reviewed to enhance service delivery and consider insourcing procurement opportunities.

The Council ensures adherence to the UK Public Contracts Regulations in its procurement activities. The Council has also developed its own Contract Procedure Rules which set out procedures, timescales, and rules for procurement and is part of the Council's Constitution. Contracts are actively reviewed to enhance service delivery and consider insourcing procurement opportunities.

The ability to identify and assimilate new technologies is an integral part of the Council's approach to achieving its strategic objectives. The Council has a Shared ICT service with Three Rivers District Council. The shared ICT service is responsible for developing the shared ICT platform as well as delivering ICT services.

A joint ICT Management Board and an IT Steering Group meets frequently to consider the strategic direction of the service. The ICT service is committed to embracing new digital opportunities to better meet the needs of residents, achieve savings and transform services. A secure, resilient, effective, and forward-looking Technology Service is critical in delivering these aims. Access to all IT systems is strictly defined according to role. Password access is controlled according to best practice. Specific Council policies exist (whistleblowing, anti-money laundering for example) and training offered to Officers and Members in these areas to encourage early detection and investigation of any suspicious activity.

The Council operates shared services for HR and Revenue and Benefits with Three Rivers District Council. Parking Services are provided by Hertsmere. There is a Shared Service Operations Board and Partnership Board in place to oversee the shared service arrangements with Three Rivers District Council. The Council has a housing joint venture with Watford Community Housing. In addition, there are other smaller partnerships with community-based organisations.

The Council's internal audit provision is delivered by the Shared Internal Audit Service (SIAS) hosted by Hertfordshire County Council. The service complies with CIPFA's Statement on the role of the Head of Internal Audit and operates to Public Sector Internal Audit Standards. The Head of Assurance confirms to Audit Committee the 'Fitness for Purpose' of internal audit to conduct the work that informs the assurance opinion each year. For each audit, SIAS issues a Final Audit Report, and this is signed off by management together with an agreement to implement the recommendations that have been made.

In compliance with the requirements of Accounts and Regulations 2015, the Council places reliance on the Shared Internal Audit Service (SIAS) which undertakes a programme of work to review the effectiveness of the Council's risk management, control environment and governance processes. An annual audit of operational plan is presented to the Audit Committee for approval. Progress of internal audit against the audit operational plan is considered at Audit Committee meetings.

SIAS reports to the Audit Committee quarterly regarding progress against the Audit Plan and the implementation status of high priority recommendations.

The overall internal audit assurance opinion is 'Reasonable assurance' on financial systems, meaning there is a sound system of governance, risk management and control, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited. The assurance on the non-financial systems is 'Reasonable assurance', meaning there is a 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.

# Governance

SIAS has concluded that the corporate governance and risk management frameworks comply with the CIPFA / SOLACE best practice guidance on corporate governance. This conclusion is based on the work undertaken by the Council and reported in its Annual Governance Statement for 2023/24 and the specific reviews of Risk Management and Corporate Governance conducted by SIAS during the year.

The Council produces quarterly budget monitoring reports which are available on the Council website. These reports include a review of the general fund balance, financial position, the capital program, and performance against local indicators related to strategic risks, freedom of information, and environment information requests. These reports are subject to review by relevant committees of the Council.

The Council undertakes an incremental approach to budgeting. In relation to capital, the agreed programme is reprofiled during the year to reflect projected delivery. The affordability of future schemes is kept under review to ensure that borrowing requirements arising from the capital expenditure are affordable within the agreed budget. This includes a review of annual capital programmes.

The forecast income and expenditure from treasury management activities is included in the budget and reported on in the financial monitoring report. The Council's treasury management strategy sets out the council's investment and borrowing strategy and appetite for risk in relation to these activities. Scenario planning is undertaken as part of the financial planning process. A contingency for pay inflation is set aside each year to manage the impact of the pay award.

The Council's Local Code of Corporate Governance identifies the Nolan Principles (Standards in Public Life) as underpinning all local government activity. The standards of conduct and personal behaviour expected of Members and Officers, its partners and the community are defined and communicated through Codes of Conduct and Protocols and the Council's Constitution. Arrangements are in place to ensure that Members and Officers are aware of their responsibilities under these codes and protocols.

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The Council's website outlines the arrangements for making a complaint that a member of the Council has failed to comply with the Code of Conduct and sets out how the Council will deal with such allegations. Complaints about Members and allegations that a Member has breached the Code of Conduct would be dealt with by the Monitoring Officer. Three Rivers has a corporate compliments and Complaints Policy which outlines that complaint about an elected Councillor should be directed to the Solicitor to the Council who is the Council's Monitoring Officer.

The Council's Constitution sets out the employment procedures for the Head of the Paid Service, Strategic and Assistant Directors, Monitoring Officer and Chief Finance Officer.

The Council has a Whistle blowing Policy which is based on the Public Interest Disclosure Act 1998 as well as an Anti Fraud and Corruption Policy, and new Anti Money Laundering and Anti Bribery Policies. The Council's website and intranet have options for the public and staff to report suspected fraud that link to the Shared Anti Fraud Service webpage.

Management is committed to transparency in their reporting. This is demonstrated in the granularity of description and analysis presented in the MTFP and budget documents, and the information shared with Members across a wide range of matters.

# Governance

## Governance over the Wimbledon 'income strip'

The Shareholder and Commercial Ventures Panel has oversight of the income strip arrangement and its financial viability. Performance updates on the income strip agreement are presented as a standing agenda item at each shareholder and Commercial Ventures Scrutiny Panel meeting. The Council has appointed Lambert Smith Hampton (LSH) to manage the property on a day-to-day basis and we have observed evidence that regular monitoring of the arrangement is undertaken between LSH, the Head of Property and Finance.

Performance of the income strip arrangement also forms part of the quarterly monitoring to the Policy and Resources Committee. The monitoring report also includes the balance on the commercial risk reserve which is ringfenced to mitigate risks associated with the project. We are satisfied that there were appropriate governance and scrutiny arrangements in place during the 2023/24 financial year in relation to this arrangement.

## Summary

**We have not identified any significant weaknesses in the Council's arrangements.**

The Council has effective arrangements in place for overseeing the Council's performance, identifying risks to achievement of its objectives and taking key decisions.



# Improving economy, efficiency and effectiveness

This relates to how the Council seeks to improve its systems so that it can deliver more for the resources that are available to it.

We considered the following areas:

- how financial and performance information has been used to assess performance and identify areas for improvement;
- how the Council evaluates service quality to assess performance and identify areas for improvement;
- how the Council ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve; and
- where the Council commissions or procures services, how it ensures that this is done in accordance with relevant legislation, professional standards and internal policies, and how it assesses whether it is realising the expected benefits.

The Council utilises financial and performance information to assess its performance. It ensures that services and priorities approved by the Members are delivered by reporting quarterly using key measures and programme updates to track progress.

The Corporate Framework for 2023 - 2026 sets out our key priorities to achieve our vision. Key Performance Indicators for each of the council's service areas are aligned to a corporate framework objective which are monitored quarterly and/or annually. The following are the key objectives for Three Rivers;

- Provide responsive and responsible local leadership,
- Expand our position as a great place to do business, Support
- Enable sustainable communities
- and achieve net carbon zero and be climate resilient

The Council has improved its Freedom of Information processes working with the Information Commissioner and has been used as a case study for improvement. Local Government Ombudsman reports are taken to Committee.

Consultants are only used for specific tasks where the Council does not have specific skills or there is a high level of risk such as Treasury Management Advice, external legal support on commercial projects. Where possible services are procured with other partners such as with County for biodiversity and heritage advice. The council has a procurement policy in place and when needed, interim vacancies are approved by SLT to fill in areas where there is more targeted resources need.

The Council has a Major Projects Board and these are also monitored as part of budget monitoring. The Council does not have significant major capital projects.

The Council actively collaborates with various partners, including private investors, to drive major commercial and residential developments. The Council values community input and actively engages with stakeholders.

Listening to residents and working collaboratively ensures the Council's plans align with expectations and needs. The Council prioritises supporting and valuing communities by delivering health, wellbeing, cultural, community safety, and environmental initiatives. This cooperative effort involves a wide range of partners.

To assess whether expected benefits are being realised, the Council employs monitoring and evaluation mechanisms. This ensures that outcomes align with expectations and provides a basis for continuous improvement. Members also play a crucial role in scrutinising procurement processes and monitoring their results. These measures collectively contribute to quality outcomes.

A performance and governance system is used to monitor performance and risk and is providing improved insight into corporate priority delivery. The system provides a range of corporate performance monitoring relating to service delivery, finances, staff, and customers, alongside consideration of the risks associated with the delivery of objectives in order to provide strategic insight and facilitate prompt implementation of any necessary improvement plans.

# Improving economy, efficiency and effectiveness

The Council oversees the commissioning and procurement of services, ensuring strict adherence to relevant legislation, professional standards and internal policies. There is a Procurement policy in place, delineating the prescribed approach for all procurement activities. This policy has been communicated to all staff involved in the procurement process. All contracts entered into by the Council are required to comply with the rules embedded within the Constitution.

## Summary

**We have not identified any significant weaknesses in the Council's arrangements.**

The Council has effective arrangements in place for using financial and performance information to make informed decisions and working with partnerships effectively.

# Improvement recommendations

We have not identified any significant weaknesses within the Council's arrangements and, therefore, have not raised any key recommendations. During our review, however, we identified some areas where we have raised recommendations which we believe could further strengthen or improve the arrangements already in place. Progressing the actions management has identified to address the recommendations made will support the Council in realising the improvement opportunities identified from our work.

Criteria	Recommendation	Observation and implication / impact
<div>Page 99</div> <div>Financial sustainability</div>	<u>Recommendation 1:</u> Management should review the minimum revenue provision (MRP) in future years to ensure the annual MRP adjustment is adequate and prudent, considering the Council's CFR and borrowing levels, and ensure longer term financial risks are contained.	Indicators of prudence can be seen by comparing the MRP against the capital financing requirement (CFR) and the total borrowings held by the Council. A level of MRP which is lower than 2% of the CFR and 3% of total borrowings indicates increased financial risk in the medium to long term. In 2023/24, the MRP as a percentage of the CFR is 1.13%, while MRP as a percentage of borrowings stands at 5.16%. This suggests a higher risk that the MRP may be insufficient to ensure long-term financial resilience.
	<u>Recommendation 2:</u> The Council should consider the impact of IFRS16 on the Wimbledon income strip scheme, as this standard comes into force from the 2024/25 year of account for the Council.	This new standard may impact on current year costs and recognition, which could impact the in-year reported financial position of the Council.
	<u>Recommendation 3:</u> The Council should consider whether the Wimbledon income strip scheme contains an embedded derivative – and, if so, whether the derivative is closely associated – and account for this within the financial statements accordingly.	An embedded derivative may exist where the Council, under the terms of the scheme, may be able to reduce its overall liability with additional payments. International Financial Reporting Standards require that this is accounted for within the financial statements. As the accounts have been disclaimed for the previous 3 years, auditors have not been able to express a view on the appropriateness of the current accounting treatment in this respect.
	<u>Recommendation 4:</u> The Council should ensure the Effective Interest Rate (EIR), and thus the net present value (NPV) of the liability for the scheme, remains appropriate given the scheme's performance, and ensure this is reflected in the financial statements accordingly.	The EIR impacts the overall size of the financial liability payable to the investor in terms of the net present value (NPV). As the accounts have been disclaimed for the previous 3 years, auditors have not been able to express a view on the appropriateness of the current accounting treatment in this respect.

# Appendices

Appendix I: Financial statements audit risks

Page 100

# Appendix I: Financial statements audit risks

This section of our report includes a summary of the significant risk areas we identified during our audit planning that required special consideration. It provides an overview of our risk identification for the year to 31 March 2024. We set out our planned responses to each of these risks in our audit plan.

We have not amended the risks which we reported in our audit plan as formally presented on 6 February 2024.

Significant risk	Fraud risk?	Planned approach to controls	Level of judgement / estimation uncertainty	Work completed
Prior year opinion on the financial statements	No	N/A	Low	The work we completed is set out on the next page.
Management override of controls	Yes	Assess design & implementation	Low	Due to the missing assurance for prior periods and the time constraints imposed by the statutory backstop we have been unable to complete all our planned procedures on the significant and other risks we identified.
Presumption of fraud in revenue recognition	Rebutted	Assess design & implementation	Low	
Presumption of fraud in expenditure recognition	Rebutted	Assess design & implementation	Low	
Valuation of land and buildings and investments property	No	Assess design & implementation	High	As a result of the material and pervasive nature of missing assurance, and the imminent statutory backstop date of 28 February 2025 for the 2023/24 audit, we disclaimed the audit in our audit report.
Valuation of pension assets and liabilities (IAS19)	No	Assess design & implementation	High	
Other risk: The council entered a complex and financially significant income strip scheme.	No	Assess design & implementation	High	

# Appendix I: Financial statements audit risks

Identified risk	Audit procedures completed	Outcome
<p><b>Prior year opinion on the financial statements</b></p> <p>In our audit plan we highlighted that we had not yet obtained a copy of the audit opinion from your predecessor auditor for the 2022/23, 2021/22 and 2020/21 financial years. We therefore reported that:</p> <ul style="list-style-type: none"> <li>There was a risk that issues not yet identified in these audit years could impact the current audit year;</li> <li>There was a further risk that the audit backstop of 13 December 2024 may prevent the prior year audits from being completed, resulting in prior year audit opinions being qualified by a 'limitation of scope' or disclaimed in full.</li> </ul> <p>As a result, we reported the significant risk that:</p> <ul style="list-style-type: none"> <li>there may be limited assurance available over the Council's opening balances, including those balances which involve higher levels of management judgement and more complex estimation techniques (e.g. defined benefit pensions valuations and property, plant and equipment valuations, amongst others).</li> <li>significant transactions, accounting treatment and management judgements may not have been subject to audit for one or more years – or at all. This may include management judgements and accounting treatment in respect of significant or complex schemes or transactions which came into effect during the qualified or disclaimed periods.</li> </ul>	<p>In response to this risk, we:</p> <ul style="list-style-type: none"> <li>considered the findings and outcomes of your prior year audits and their impact on our 2023/24 audit;</li> <li>considered the impact on our 2023/24 audit of the prior year disclaimed audit opinions you have received from your predecessor auditor, with particular regard to opening balances and 'unaudited' transactions and management judgements made in previous disclaimed years which continue into 2023/24; and</li> <li>considered the impact of any changes in The CIPFA Code requirements for financial reporting in previous and current audit years.</li> </ul>	<p>The Council's 2020/21, 2021/22 and 2022/23 audits were disclaimed on 13 December 2024. In addition, on 5 March 2024 the 2019/20 accounts were qualified as the auditor was unable to obtain sufficient assurance over the fair value of surplus assets relating to South Oxhey going back to the 2017/18 audit year. Accordingly, we have no assurance on the Council's opening balances as at 1 April 2024 or any previous balances going back several years, and no assurance over transactions occurring in those years which impact the figures reported in the financial statements for 2023/24.</p> <p>Statutory Instrument (2024) No. 907 - "The Accounts and Audit (Amendment) Regulations 2024" (the SI) imposes a backstop date of 28 February 2025. By this date we are required to issue our opinion on the financial statements.</p> <p>We have considered whether the time constraints imposed by the backstop date mean that we cannot complete all necessary procedures to obtain sufficient, appropriate audit evidence to support the opinion and fulfil all the objectives of all relevant ISAs (UK).</p> <p>Taking the above into account, for the year ended 31 March 2024 we have determined that we cannot meet the objectives of the ISAs (UK) and we anticipate issuing a disclaimer of opinion.</p>



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# COMMIT REPORT

25/06/2025

Statement of Accounts and  
Annual Governance Statement  
2024/25

**AUDIT COMMITTEE**  
**Wednesday 25 June 2025**

PART I

**STATEMENT OF ACCOUNTS AND ANNUAL GOVERNANCE STATEMENT 2024/25  
(DoF)**

**1 Summary**

- 1.1 This report sets out the timeframe for publication of the draft Statement of Accounts 2024/25 and seeks approval for the Annual Governance Statement 2024/25.
- 1.2 The statutory deadline for the publication of the draft Statement of Accounts is 30 June 2025.

**2 Recommendation**

- 2.1 To approve the Annual Governance Statement 2024/25
- 2.2 To note that the Director of Finance, or the Head of Finance under delegation from the Director of Finance, will authorise for issue a draft Statement of Accounts 2024/25 for public inspection by 30 June 2025, and a period of public inspection will commence on 1 July 2025.

**3 Details**

- 3.1 Draft Statement of Accounts 2024/25
  - 3.1.1 The Accounts and Audit Regulations 2015 (amended 2024) set out the statutory timetable for the publication of the Council's unaudited accounts. The deadline for the publication of draft accounts for 2024/25 is 30 June 2025. The 30-day period of public inspection must commence no later than 1 July 2025. The notice of public inspection will be published on the Council's website on 30 June 2025.
  - 3.1.2 The Draft Statement of Accounts for 2024/25 will be authorised for issue by the Director of Finance, or the Head of Finance under delegation from the Director of Finance, by 30 June 2025. A link to the draft accounts will be provided to members of the committee.
  - 3.1.3 The initial draft Statement of Accounts for 2024/25 can be found at Appendix 1. Due to delays in receiving information from Third Parties this draft does not include technical accounting adjustments relating to asset valuations for 2024/25. These valuations were received on 16 June 2025 and the draft accounts will be amended to include these adjustments prior to publication.
  - 3.1.4 The Accounts and Audit Regulations also require the Council to prepare a Narrative Statement for inclusion in the accounts which must include commentary by the authority on its financial performance.
  - 3.1.5 The Narrative Statement is intended to communicate to stakeholders the authority's purpose, how it has performed in accordance with its overall strategy and against KPIs over the year, and how it has allocated its resources in line with intended outcomes. The draft narrative statement is included in the Draft

Statement of Accounts (appendix 1). The numbers are subject to change as the accounts are finalised.

### **3.2 Annual Governance Statement 2024/25**

- 3.2.1 Local authorities are required to prepare an Annual Governance Statement (AGS) to be transparent about their compliance with good governance principles. This includes reporting on how they have monitored and evaluated the effectiveness of their governance arrangements in the previous year and setting out any planned changes in the coming period
- 3.2.2 The AGS must be published alongside the Statement of Accounts for the period of Public Inspection.
- 3.2.3 The AGS is approved by the Chief Executive and the Leader of the Council. The Audit Committee has the responsibility of reviewing the Council's AGS each year and considering whether it properly reflects the risk environment and supporting assurances, taking into account internal audit's opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.
- 3.2.4 The AGS follows the principles and best practice advocated by CIPFA (the Chartered Institute of Public Finance and Accountancy), the body which advises on good governance.
- 3.2.5 The AGS is published at Appendix 3 to this report. It includes an outline of the Council's governance framework, a review of the effectiveness of the arrangement, and a conclusion in relation to the effectiveness.
- 3.2.6 Based on the information set out in the AGS, the following conclusion is included:

"It is our opinion that the Council's governance arrangements in 2024/25 were sound and provide a robust platform for achieving the Council's priorities and challenges in 2025/26."

### **4 Policy/Budget Reference and Implications**

- 4.1 There are no direct financial implications arising from this report.

**Financial, Legal, Equal Opportunities, Staffing, Environmental, Community Safety, Public Health, Customer Services Centre, Communications & Website, Risk Management and Health & Safety Implications**

None specific.

#### **Data Quality**

Data sources:

None used in the preparation of this report.



## AUDIT COMMITTEE – 25 June 2025

### PART I – DELEGATED

#### **1 Summary**

- 1.1 This report sets out the Audit Committee's latest Work Programme to enable the Committee to make updates as required.

#### **2. Details**

- 2.1 The Audit Committee meets five times per financial year between 1 April and 31 March. The work programme is presented at each meeting of the Committee to enable any changes to be made and to provide Members with updated information on future meetings.
- 2.2 The work programme includes a rolling annual training programme which is delivered prior to each committee. The following topics form the programme:
- Role of the Audit Committee
  - Statement of Accounts
  - Treasury Management
  - Internal Audit
  - Risk Management
- 2.3 Additional 'deep dive' training is arranged for members of the committee ahead of approval of the audited Statement of Accounts.
- 2.4 The following items are standing items on the agenda and are presented at each meeting of the Committee:
- Internal Audit Report – SIAS Audit Client Manager
  - Financial and Budgetary Risks – Head of Finance
  - Committee Work Programme
- 2.5 The programme of ad hoc reports scheduled to be presented to this Committee in the next 12 months is shown in the table below:

Financial Year 2024/25		
Date	Report	Officer Responsible
25 June 2025	TRAINING: Statement of Accounts <ul style="list-style-type: none"> <li>SIAS Annual Assurance Statement &amp; Internal Audit Annual Report</li> <li>Approval of the draft Statement of Accounts 2024/25 and Annual Governance Statement</li> <li>External Auditor Plan 2024/25</li> <li>Standing Items</li> </ul>	Director of Finance  Client Audit Manager  Director of Finance  External Auditors
29 July 2025	TRAINING: Role of the Audit Committee <ul style="list-style-type: none"> <li>Fraud Annual Report</li> <li>SIAS Board Annual Report</li> <li>Standing Items</li> </ul>	Director of Finance  Fraud Manager Client Audit Manager
27 November 2025	TRAINING: Treasury Management <ul style="list-style-type: none"> <li>Treasury Management Mid-Year Report 2025/26</li> <li>Draft Capital Strategy and Treasury Management Strategy Statement 2026/27</li> <li>External Auditor Plan 2025/26</li> <li>Standing Items</li> </ul>	Director of Finance  Director of Finance  Director of Finance  External Auditors

### 3 Options/Reasons for Recommendation

3.1 The recommendation allows the Committee to determine its work programme.

### 4 Policy/Budget Implications

4.1 The recommendations in this report are within the Council's agreed policy and

budgets.

**5 Financial, Legal, Equal Opportunities, Staffing, Environmental, Community Safety, Customer Services Centre, Website and Risk Management Implications**

5.1 None specific.

**6 Recommendation**

6.1 That the Committee consider and makes necessary changes to its Work Programme.

**Background Papers**

Reports and minutes – Audit Committee

Report prepared by: Alison Scott – Director of Finance

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