



# Three Rivers District Council

Audit Completion Report  
Year ended 31 March 2025

February 2026

## Your key team members

Paul Grady  
Key Audit Partner  
[Paul.Grady@azets.co.uk](mailto:Paul.Grady@azets.co.uk)

Reshma Ravikumar  
Associate Director  
[Reshma.Ravikumar@azets.co.uk](mailto:Reshma.Ravikumar@azets.co.uk)

CJ Abellera  
Manager  
[CJ.Abellera@azets.co.uk](mailto:CJ.Abellera@azets.co.uk)

Jay Bhuchar  
In-charge Auditor  
[Jay.Bhuchar@azets.co.uk](mailto:Jay.Bhuchar@azets.co.uk)

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Draft letter of management representations	
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### Purpose of this report

This report highlights the significant findings arising from the audit. We are responsible for performing the audit in accordance with International Standards on Auditing (UK), and the National Audit Office Code of Audit Practice and associated Auditor Guidance Notes.

Our audit is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of the Audit Committee. Under the Code of Audit Practice, we are also required to consider the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources and to report any significant weaknesses we identify. However, our audit is not designed to test all internal controls or identify all areas of control weakness. As such, our work cannot be relied upon to disclose all errors or other irregularities, or to include all possible improvements in internal control that a more extensive examination might identify.

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.

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# Executive summary



# Executive summary

This section summarises, for the benefit of Those Charged with Governance, the status of our audit of Three Rivers District Council for the year ending 31 March 2025 and the key findings and other matters arising from our audit.

## Financial Statements

As at the date of writing this report, we have completed a number of areas of our scoped audit work. Where our work is concluded we have set out the details of the work undertaken and our findings in the body of this report. Where audit work has been started but not yet concluded we have highlighted the work undertaken to date and the reasons why the work is not able to be concluded.

From the work we have completed, we have identified 6 adjustments to the financial statements that have resulted in a £310k improvement to your reported financial outturn. We have also identified several disclosure amendments. We have also raised recommendations for management as a result of our work.

Management has agreed to amend the accounts for all adjustments identified during the audit.

The quality of the accounts and evidence provided was variable. Management have been responsive and helpful in facilitating the audit which has enabled us to progress the majority of our work in an efficient timescale. However, due to the challenges of undertaking an audit where the previous four years have been disclaimed because of the local authority backstop, it has not been possible to regain full assurance, and it is not possible for us to undertake sufficient work to support an unmodified audit opinion ahead of the backstop date of 27 February 2026. Undertaking work on balances that have not been subject to audit for several years necessarily means the audit on the current year balances takes longer than would ordinarily be the case. The limitations imposed from this lack of assurance on opening balances and closing balances in key areas means we are unable to form an opinion on the 2024/25 financial statements. We therefore intend to disclaim our opinion.

We are also unable to conclude that the other information included in the statement of accounts is consistent with our knowledge of the Council and Group and the financial statements we have audited. This is because we intend to disclaim our opinion.

It is important to note that build back is a comprehensive and time-consuming process which is compounded at a council such as Three Rivers where added complexity is present by virtue of the group accounts, income strip arrangement and other complexities within the asset portfolio. Management has been engaged and supportive. The matters reported in this report are not a reflection of a lack of engagement from management nor a reflection of poor quality in management's processes or preparation. Rather they are unavoidable implications arising from a position wherein the Council's accounts have not been audited for several years.

Under International Standards on Auditing (UK) and the National Audit Office (NAO) Code of Audit Practice 2024, we are required to report whether, in our opinion:

- ▶ The financial statements give a true and fair view of the Council and Group's financial position and income and expenditure for the period; and
- ▶ The Council and Group's financial statements have been properly prepared in accordance with the CIPFA/ LASAAC Code of Practice on Local Authority Accounting in the UK (the 'CIPFA Code') 2024/25 and the Local Audit and Accountability Act 2014.

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 materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.



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# Executive summary

## Financial Statements

We have not altered our audit plan as formally presented to you on 25 June 2025.

Our audit approach has been based on gaining a thorough understanding of the Council and Group's control environment and has been risk based. This included:

- ▶ An evaluation of the Council and Group's internal control environment, including the IT systems and controls; and
- ▶ Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to our key audit risks.

*At the completion of the audit, following the audit committee, we are required to undertake the following procedures:*

- ▶ Final senior reviews and engagement lead 'stand back' review of the file
- ▶ Receipt and review of the management representation letter
- ▶ Receipt and review of the final, amended statement of accounts, narrative report and annual governance statement, appropriately signed and dated
- ▶ Response from management regarding subsequent events up to the date of the opinion
- ▶ Submission of our Whole of Government Accounts (WGA) return to the National Audit Office (NAO).



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# Executive summary

## Value for money

We have completed our value for money work. Our detailed findings are reported in our Auditor's Annual Report.

We have not identified any significant weaknesses in the Council's arrangements and so are satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, under the NAO Code of Audit Practice.

## Statutory duties

We have not exercised any of our additional statutory powers and duties.

The Local Audit and Accountability Act 2014 (the Act) requires us to:

- ▶ report to you if we have applied any of the additional powers and duties available to us under the Act; and
- ▶ certify the closure of the audit.

## Certificate

We will not be able to certify the closure of the audit until we have completed all work we are requested to undertake as a component auditor for Whole of Government Accounts (WGA), and we receive confirmation from the National Audit Office that the Comptroller and Audit General has certified the WGA for 2024/25.



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# Financial statements



# Quality Indicators

The following metrics are important in assessing the reliability of your financial reporting and response to the audit.

**KEY:**  
**RED** Significant improvement required  
**AMBER** Developing  
**GREEN** Mature

Metric	Grading	Commentary
Quality and timeliness of draft financial statements	AMBER	<p>The Council issued its 2024/25 draft financial statements by the statutory reporting date of 30 June 2025. However, the Council subsequently amended and revised these statements and re-issued them on 29 September 2025. In updating the accounts, management has made changes, in the comparators, to figures in the prior-year audited accounts. Some of these changes are material, and we have included the detail on page 51. The changes arose in part as a result of the delayed conclusion to earlier audits in 2020/21, 2021/22 and 2022/23.</p> <p>As part of our review of the draft financial statements for internal consistency, mathematical accuracy, and agreement of prior-year comparators to the audited 2023/24 accounts, we identified a high number of errors, which includes material errors, formula errors, and inconsistencies within the notes and supporting workings. This level of error indicates weaknesses in the Council’s quality assurance processes over the preparation of the draft accounts, we have raised a corresponding control deficiency, which is set out later in the report on page 83.</p> <p>Some of the changes made by management to the prior year comparative figures relate to the level of MRP charged and the closing General Fund balance, which are not material and therefore should not have been amended in the prior-year comparators. Furthermore, changes should not be made retrospectively to MRP, as this is a breach of legal and regulatory requirements. The Council should ensure that the accounts it produces on 30 June each year represent its final draft statements and, importantly, that it does not amend figures in the prior-year comparators unless a material error has been identified, in accordance with International Accounting Standard 1 (IAS 1).</p> <p>We have also noted that the Council has included in its single-entity accounts all the transactions and balances of West Herts Crematorium Joint Committee, which has resulted in restatements of some balances and disclosures in the 2024/25 accounts. We have challenged management on this unusual accounting treatment, and this matter remains outstanding at the time of writing this report.</p>



# Quality Indicators

The following metrics are important in assessing the reliability of your financial reporting and response to the audit.

KEY:

RED

Significant improvement required

AMBER

Developing

GREEN

Mature

Metric	Grading	Commentary
Quality of working papers provided and adherence to timetable	AMBER	The reissuance of the accounts resulted in delays in receipt of the working papers supporting the accounts which meant that the substantive procedures were commenced later than planned. There are some working papers such as debtors and creditors year-end balance listings that management took time to produce and provide to the audit team. The working papers are of fair quality but a little challenging to follow through. Requests were generally returned in a timely manner with a few exceptions which were outstanding for months. While timely, the responses are often not of the required quality which resulted in the audit team coming back to management for further queries.
Timing and quality of key accounting judgements	AMBER	<p>While we have commenced our review of the significant and key accounting estimates, we are not yet able to conclude on their timing or quality because the detailed testing of these key estimates and judgements is still in progress.</p> <p>From work performed to date, we note the following:</p> <ul style="list-style-type: none"> <li>Valuation of other land and buildings and investment property: no issues identified from the limited procedures performed in year; however, we have rolled forward a recommendation from the prior year around variances between the fixed asset register and valuer's report (see page 55 for further details).</li> <li>Valuation of pension liability: no issues identified from the limited procedures performed in year (see page 32 for further details)</li> <li>Wimbledon income strip: we have identified that the prior period adjustment in the asset valuation was understated by £400k (see page 64 for further details).</li> </ul>
Access to finance team and other key personnel	AMBER	The Finance team were responsive throughout the audit; however, delays arose from the time required for them to work through queries and provide considered, accurate responses. There was also a significant delay of more than a month in receiving information from the valuer. These delays collectively extended the timeline for completing our audit procedures and reduced the time available for resolving follow-up queries and progressing other areas of the audit. We also encountered delays in receiving responses from the Revenue & Benefits and the Property team, these were primarily caused by limited capacity resulting from unplanned staff turnover and periods of leave.

# Quality Indicators

The following metrics are important in assessing the reliability of your financial reporting and response to the audit.

**KEY:**  
**RED** Significant improvement required  
**AMBER** Developing  
**GREEN** Mature

Metric	Grading	Commentary
Quality and timeliness of narrative report and annual governance statement	<b>GREEN</b>	At the time of writing this report, we have no issues to report. However, we currently have outstanding queries on the agreement of the narrative report. However, we are unable to conclude that the other information included in the statement of accounts is consistent with our knowledge of the Council and Group and the financial statements we have audited. This is because we intend to disclaim our opinion.
Volume and magnitude of identified errors	<b>AMBER</b>	<p>From the work we have been able to undertake, we identified amendments required in the financial statements which are detailed later in this report. Management has agreed to amend the accounts in respect of these matters.</p> <p>The imposition of the backstop has created time constraints which impede our ability to complete all necessary procedures to obtain sufficient appropriate audit evidence and to fulfil the objectives of all the relevant ISAs (UK) in relation to balances.</p> <p>As a result of the material and pervasive nature of missing assurance, and the imminent statutory backstop date of 27 February 2026 for the 2024/25 audit, we intend to disclaim the audit in our audit report.</p>



# Audit Timeline

The following metrics are important in assessing the reliability of your financial reporting and response to the audit.



Planning	Interim	Period end: 31 <sup>st</sup> March	Final accounts	Audit Committee	Completion	Sign off
<ul style="list-style-type: none"> <li>▶ Identify changes in your business environment</li> <li>▶ Determine materiality</li> <li>▶ Scope the audit</li> <li>▶ Risk assessment</li> <li>▶ Planning meetings with management</li> <li>▶ Planning requirements checklist to management</li> <li>▶ Issue audit plan</li> </ul>	<ul style="list-style-type: none"> <li>▶ Document control design and effectiveness</li> <li>▶ Discuss audit plan with audit committee</li> <li>▶ Early testing</li> </ul>		<ul style="list-style-type: none"> <li>▶ Regular updates with management</li> <li>▶ Undertake audit testing</li> <li>▶ Review of narrative report and annual governance statement</li> <li>▶ Conclude on significant risk areas</li> <li>▶ Report observations on other risk areas, management judgements</li> <li>▶ Draft Audit Completion Report</li> <li>▶ Close-out meeting with management</li> </ul>	<ul style="list-style-type: none"> <li>▶ Discuss audit findings with audit committee</li> <li>▶ Issue draft Audit Findings (ISA260) report</li> <li>▶ Issue Auditor's Annual Report (by 30 November)</li> </ul>	<ul style="list-style-type: none"> <li>▶ Subsequent events procedures</li> <li>▶ Management representation letter</li> <li>▶ Sign financial statements</li> </ul>	<ul style="list-style-type: none"> <li>▶ Sign audit report opinion</li> <li>▶ Issue delayed audit certificate</li> </ul>



# Materiality

We are obliged to report uncorrected omissions or misstatements other than those which are ‘clearly trivial’. The assessment of what is material is a matter of professional judgement and is affected by our risk assessment and the needs of users of the financial statements.

At the planning stage of the audit, we determined overall materiality as £1.067m for the Group and £1m for the Council and performance materiality as £0.690m for the Group and £0.655m for the Council. On production of the financial statements, we reconsidered our materiality determination as communicated in the Audit Plan. We have considered it appropriate to update our materiality due to the change in gross expenditure for 2024/25.

We have determined that no specific materiality levels needed to be set for this audit.

	Group £000	Council £000	Explanation
Overall materiality for the financial statements	1,175	1,100	This is approximately 2% of gross revenue expenditure for the group and 1.9% of gross revenue expenditure for the Council. We have used the 2024/25 draft financial statements. This is a common measure for calculating materiality for councils as the users of the financial statements are considered to be most interested in where the Council has expended its income during the year.
Performance materiality	763	726	Performance materiality has been set at 65% of overall materiality. This is based on the internal control environment of the Council and reflects our risk assessed knowledge of the potential for errors occurring. It is intended to reduce, to an acceptably low level, the probability that cumulative undetected and uncorrected misstatements exceed materiality for the financial statements as a whole.
Trivial threshold	58	55	This is set at 5% of the overall materiality calculation. Individual errors above this threshold are communicated to those charged with governance.

**Clearly trivial:** matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria;

**Material:** an omission or misstatement that would reasonably influence the users of the financial statements.



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# Group audit

As group auditors under ISA (UK) 600, we are required to obtain sufficient appropriate audit evidence regarding the financial information of the components and regarding 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.

For periods commencing on/after 15 December 2023 the auditing standard for group engagements (ISA (UK) 600) has been revised. The key changes that you may see reflected in the audit findings have been outlined below:

- ▶ 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 revised ISA600 based on its internal structure, while multiple legal entities may sometimes be defined as a single component
- ▶ There are increased leadership responsibilities and involvement requirements for the group engagement leader, particularly when component auditors are utilised
- ▶ In the UK, there is a specific requirement for all component auditors to confirm their ability and willingness to comply with the FRC's Ethical Standard, regardless of their local jurisdiction
- ▶ The analytical/desktop review designation, which triggered the lowest requirement for procedures deployed, has been removed from the scope of procedures performed over a component in response to risk

## Risks at the component level

The risks identified at the Council are set out in this audit findings report. There are no additional risks identified in any of the other components above in respect of the Group audit.

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 component-by-component basis.

The table on the next page sets out the components within the group and our audit findings in respect of each component.



# Group audit

Component	Scope	Planned audit approach	Audit findings
Three Rivers District Council	Full scope	Full scope statutory audit performed as set out in this report, amended due to impact of disclaimer	Our audit findings have been documented later in this report.
Three Rivers Homes Ltd (Joint Venture)	Specific scope	Specific scope procedures performed by group auditor to ensure accurate treatment of the Council's share in the Joint Venture.	Our work is complete and at the time of writing this report, we have no matters to report.
Three Rivers Commercial Services (TRCS) Ltd (Subsidiary)	None	No procedures planned	Not applicable
Three Rivers Development LLP (joint venture with TRCS Ltd)	None	No procedures planned	Not applicable

**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



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# Key audit findings



# Key audit findings: significant risks

This section includes a summary of audit findings relating to significant risk areas identified at planning and other risk areas that required special consideration or arose during the audit.

Significant risks are defined as risks that require special audit consideration and include risks of material misstatement that are close to the upper range 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 auditing standards.

The table below summarises the significant risks. Detail behind each risk and the work undertaken is set out on the subsequent pages.

Significant risk	Financial Statement / Assertion Level Risk	Fraud risk?	Approach to controls	Level of judgement / estimation uncertainty	Outcome of work
Management override of controls – Council and Group	Financial Statement Level	Yes	Assess design & implementation	Very high	Our testing over journals is complete and we have no matters to report from work performed. However, we are unable to reach a conclusion in this area as not all of the planned areas of testing for this significant risk have been completed. Along with other factors explained in this report, we plan to disclaim the opinion for 2024/25.
Prior year opinion on the financial statements – Council and Group	Financial Statement Level	No	None	High	We have implemented an overarching build-back plan for the period 2024/25 to 2027/28. Current year findings are reported in this report. In line with our build back plan, we intend to disclaim the opinion for 2024/25.



# Key audit findings: significant risks

Significant risk	Financial Statement / Assertion Level Risk	Fraud risk?	Approach to controls	Level of judgement / estimation uncertainty	Outcome of work
Wimbledon Income Strip – Council and Group	Financial Statement Level	No	Assess design & implementation	Very high	Work in this area remains ongoing in line with the procedures set out in our build back plan. In line with our build back plan, we intend to disclaim the opinion for 2024/25.
Fraud in revenue recognition – Council and Group	Assertion Level	Rebutted	Process documentation only	Low	We rebutted the risk of fraud in revenue recognition at the planning stage. Standard procedures were required in respect of these balances. In line with our build back plan, we intend to disclaim the opinion for 2024/25.
Fraud in expenditure recognition – Council and Group	Assertion Level	Rebutted	Process documentation only	Low	We rebutted the risk of fraud in expenditure recognition at the planning stage. Standard procedures were required in respect of these balances. In line with our build back plan, we intend to disclaim the opinion for 2024/25.
Valuation of other land and buildings and investment property – Council and Group	Assertion Level	No	Assess design & implementation	High	We have commenced our procedures, and they are currently being finalised in line with our build back plan. We are unable to reach a conclusion in this area. Along with other factors explained in this report, we plan to disclaim the opinion for 2024/25.



## Key audit findings: significant risks

Significant risk	Financial Statement / Assertion Level Risk	Fraud risk?	Approach to controls	Level of judgement / estimation uncertainty	Outcome of work
Valuation of the defined pension fund net liability – Council and Group	Assertion Level	No	Assess design & implementation	High	We have undertaken initial agreement of the pension disclosures to the actuary's report and completed an IFRIC 14 assessment in line with our build-back plan. However, we are unable to reach a conclusion in this area until the next triennial fund valuation is finalised, which is scheduled for 2025/26. Along with the other factors outlined in this report, we plan to disclaim the opinion for 2024/25.
Implementation of IFRS 16 – Council and Group	Assertion Level	No	Assess design & implementation	High	We have commenced our procedures, and they are currently being finalised in line with our build back plan. We are unable to reach a conclusion in this area. Along with other factors explained in this report, we plan to disclaim the opinion for 2024/25.



# Key audit findings: significant risks

## Significant risks at the financial statement level

The table below summarises our conclusions on significant risks of material misstatement at the financial statement level for the 2024/25 accounts. 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.

### Management override of controls

Significant risk	Audit approach
<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:</b> Very High</p>	<p>We have performed the below procedures to mitigate risks of material misstatement in this area:</p> <ul style="list-style-type: none"><li>• Documented our understanding of the journals posting process and evaluated the design effectiveness of management controls over journals;</li><li>• Analysed the journals listing and determining the criteria for selecting high risk and/or unusual journals;</li><li>• Tested 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>• Gained an understanding of the key accounting estimates and critical judgements made by management. We have also challenged assumptions and considered for reasonableness and indicators of bias which could result in material misstatement due to fraud; and</li><li>• Evaluated the rationale for any changes in accounting policies, estimate or significant unusual transactions.</li></ul>



# Key audit findings: significant risks

## Management override of controls continued...

### Audit findings and conclusion

Our testing over journals is complete. We have not identified any matters to report to you.

However, we cannot draw finalised conclusions from this work as not all of the planned areas of testing for this significant risk have been completed. For instance, we have been unable to reach a conclusion on all accounting estimates used by management in the financial statements, including property valuations and net pension liabilities, and therefore cannot conclude as to whether any management bias in significant account estimates exists, notwithstanding that our understanding of management's judgements and estimates applied to the financial statements does not indicate this may be the case. This is due to the time constraints to perform sufficient procedures on these accounting estimates. The key judgements in the financial statements for 2024/25 are documented later in this report.

Based on the above, we are unable to reach a conclusion on this area. Along with the other factors explained in the report, we therefore plan to issue a disclaimer of opinion for the financial year 2024/25.



# Key audit findings: significant risks

Significant risks	Audit approach
<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 2020/21, 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 (such as income strip or major capital initiatives) or transactions which came into effect during the qualified or disclaimed period, going back to 2020/21.</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>Inherent risk of material misstatement:</b> High</p>	<p>We have performed the below procedures to mitigate risks of material misstatement in this area:</p> <ul style="list-style-type: none"> <li>• Considered the findings and outcomes of prior year audits and their impact on the 2024/25 audit;</li> <li>• Considered 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>• Considered the impact of any changes in Code requirements for financial reporting in previous and current audit years.</li> </ul>



# Key audit findings: significant risks

## Prior year opinion on the financial statements continued....

### Audit findings and conclusion

In our audit plan, we communicated the high-level end-to-end indicative build-back plan. This envisages gaining assurance over the accounts from the period from 2024/25 to 2027/28. Our audit approach and procedures deployed in 2024/25 are in line with this approach. Our approach also includes the statutory guidance issued by the National Audit Office (NAO) in Local Audit Reset and Recovery Implementation Guidance (LARRIG) 01 to 06.

Our procedures in 2024/25 fell into two categories:

- **Procedures on the 2024/25 accounts with a view to gaining assurance over the year end position and identifying improvement suggestions for recovery work in future years.** Given the Council's accounts have not been subject to audit for several years, it is not unexpected that more time is needed than in a 'normal' audit when recovering disclaimed positions. Additional time from within the scale was therefore focused on this in line with our build back plan. Our scale fee work in 2024/25 was focused on recovery of year end balance sheet positions, journals, fraud testing and in-year reserves movements and analysis. Our findings from this work are set out throughout this report.
- **Build-back procedures to gain assurance over disclaimed periods of account.** This work involves additional planning, in line with the statutory considerations set out in LARRIG06, additional risk assessment and additional substantive procedures over the disclaimed years. The substantive procedures also include substantive testing of Property, Plant and Equipment movements in disclaimed years and in future years will require substantive testing of income and expenditure transactions.

#### Build-back risk assessment procedures

Our build-back risk assessment procedures comprised two significant streams: the qualitative risk assessment and the quantitative risk assessment. The qualitative work, guided by LARRIG 06, focuses on assessing the inherent risk of material misstatement in opening General Fund (GF) balances and associated earmarked reserves following prior-year disclaimers. This involves evaluating governance arrangements, the control environment, timeliness of accounts preparation, complexity of reserves, and risks arising from multiple disclaimed opinions. We have considered factors such as changes in personnel, financial systems, budgetary controls, and classification risks between capital and revenue transactions. Our planned response included enhanced inquiry, review of Annual Governance Statements, analytical procedures, and targeted substantive testing to evaluate these risks.



# Key audit findings: significant risks

## Prior year opinion on the financial statements continued....

### Audit findings and conclusion

The quantitative work relates to reconciling and validating movements within the Movement in Reserves Statement (MIRS) back to the last non-disclaimed opinion (2019/20). This includes detailed testing of reserve movements, statutory adjustments and consistency checks across primary statements and supporting notes to evaluate accuracy and completeness of reported balances.

We have undertaken procedures in respect of both the qualitative and quantitative risk assessment streams. We have not yet been able to conclude our procedures due to the impending backstop, but will continue this work as part of 2025/26. It is important to note that build back is a comprehensive and time-consuming process which is compounded at a council such as Three Rivers; added complexity is present by virtue of the complex asset portfolio, group accounts and income strip arrangement. The matters reported below are not a reflection of a lack of engagement from management nor a reflection of poor quality in management's processes or preparation.

#### **Build-back risk assessment: Qualitative stream**

We have undertaken a full and comprehensive risk assessment in accordance with LARRIG06. Further information is reported in the build-back section of this report. As part of our procedures under this stream, we had planned to reconcile the financial statements to the general ledger and the trial balance for the current year and each previously disclaimed year, tracing back to the last non-disclaimed opinion dated 31 March 2020. As part of our procedures under this stream, we planned to reconcile the financial statements to the general ledger and trial balance for the current year and each previously disclaimed year, tracing back to the last non-disclaimed opinion issued on 31 March 2020. From the work performed to date, we have identified significant variances, particularly in relation to prior period adjustments posted into the intervening years' statements of accounts.

As part of the risk assessment, we have also performed various other procedures (see detail on page 72). Additional time has been required by both audit and management to investigate these matters. We have agreed with management that there will not be sufficient time to finalise this work ahead of the backstop date. We will therefore continue these procedures as part of the 2025/26 audit.



# Key audit findings: significant risks

Prior year opinion on the financial statements continued....

## Audit findings and conclusion

### **Build-back risk assessment: Quantitative stream**

We have undertaken procedures under this stream, which includes reconciling and validating movements within the Movement in Reserves Statement (MIRS) back to the last clean opinion. During our review, we identified some trivial misstatements and casting errors in each of the years back to 31<sup>st</sup> March 2021, however overall, the closing balances appear materially accurate and reasonable.

### **Build-back substantive procedures**

A significant volume of substantive procedures are required to build-back assurance and recover the disclaimed opinion. These procedures, in line with our over-arching build-back plan, will take place over the coming years, with specific procedures taking place in 2024/25. In 2024/25, we planned to undertake substantive procedures in respect of Property, Plant and Equipment movements over the disclaimed period, and in respect of the Income Strip transactions over the disclaimed period. We report in the build-back section of this report the procedures undertaken and commentary to date.

### **Conclusion:**

In 2024/25, we have:

- Undertaken full scale fee work on current 2024/25 balances and journals and raised recommendations for management where action is needed to enable full assurance to be gained through audit, focusing our scale fee work on those balances most necessary to recover first under our over-arching build back plan;
- Undertaken significant and comprehensive build-back risk assessment procedures in line with LARRIG06, encompassing both qualitative and quantitative risk assessments; and
- Undertaken procedures to build back assurance in respect of Property, Plant and Equipment and the Income Strip.

Recovering the disclaimed position is a long-term and complex process, involving substantial volumes of audit work and significant time from management to facilitate such work. As set out in our indicative build-back plan, along with the other factors explained in the report, we plan to issue a disclaimer of opinion for the financial year 2024/25. Due to audit opinions on the prior years' financial statements being disclaimed, we have no assurance over the opening balances of the reserves and the balance sheet financial statement line items. This means we have no assurance on the movements in year and cannot gain sufficient audit evidence on the material accuracy of the financial statements at 31 March 2025.



# Key audit findings: significant risks

## Wimbledon Income Strip

Significant risks	Audit approach	Audit findings and conclusion
<p><b>Wimbledon Income Strip – Relates to 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:</b> Very High</p>	<p>We have performed the below procedures to mitigate risks of material misstatement in this area:</p> <ul style="list-style-type: none"> <li>Reviewed 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>Assessed management’s accounting treatment against the requirements of the CIPFA Code and International Financial Reporting Standards.</li> <li>Assessed management’s judgement on the impact of IFRS16 on the accounting for income strip transactions.</li> </ul>	<p>As part of our work, we have documented our understanding of the income strip process and evaluated the design effectiveness of management controls over income strip transactions. Our work on the detailed accounting judgements supporting the income strip remains ongoing. We have also considered management's judgements and accounting treatment for calculating the expected interest rate. As of the date of writing, we have the following observations:</p> <ul style="list-style-type: none"> <li>The leased asset was undervalued in 2022/23. The valuer applied a net income approach, which resulted in a lower valuation. Management challenged the valuer and obtained a new 2022/23 valuation. This resulted in a restatement of the right-of-use asset and lease liability values as at 1 April 2024. We agree with management's challenge and the approach applied to restate the valuation; and</li> <li>A sinking fund contribution of £3.5 million paid to the Council to cover for risks associated with non-payment of tenants and any refurbishment has been received in 2022/23 has been included in the restated right-of-use asset and lease liability. We are considering the appropriateness of this treatment as part of our work.</li> </ul> <p>As our procedures are ongoing at the time of writing we are not yet able to conclude over the accuracy and reasonableness of the accounting estimate in the revised valuation, the expected interest rate used and the related restatement accounting entries as well as the appropriateness of the accounting treatment of the sinking fund contribution. We will conclude this work and report further once concluded as part of our 2025/26 reporting.</p>



# Key audit findings: significant risks

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

The following tables summarise conclusions in relation to significant risks of material misstatement at the assertion level for classes of transaction, account balances and disclosures in the 2024/25 accounts.

### Fraud in revenue recognition

#### Significant risk

##### **Fraud in revenue recognition – Relates to Council and group**

Material misstatement due to fraudulent financial reporting relating to revenue recognition is a rebuttable presumed risk in ISA (UK) 240.

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:

- there is little opportunity available to manipulate revenue recognition;
- there is limited incentive to manipulate revenue recognition; and
- 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.

##### **Inherent risk of material misstatement:**

- Revenue recognition (Occurrence, Accuracy and Cut-off): Low
- Debtors (Existence and Completeness): Low



# Key audit findings: significant risks

## Fraud in revenue recognition continued...

Audit approach	Audit findings and conclusion
<p>We have performed 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 revenue to identify significant classes of transactions, account balances and disclosures with a risk of material misstatement in the financial statements.</li> </ul> <p>We have been unable to perform the following procedures specifically designed to address this risk as a result of the back stop:</p> <ul style="list-style-type: none"> <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> <p>In addition to the procedures outlined in the audit plan, we performed the following procedures to further address the cut-off and completeness assertions for revenue. Given that the statements of accounts for the previous four financial years were disclaimed, we considered it important to obtain additional assurance that revenue was recorded in the correct accounting period:</p> <ul style="list-style-type: none"> <li>Substantively testing post and pre-year-end bank receipts and invoices raised in the Accounts Receivable system to ensure completeness and cut-off of transactions.</li> </ul> <p>We have also agreed the revenue balances from the financial statements to the General Ledger.</p>	<p>In line with our build back plan, we have not evaluated the Council’s accounting policies for recognition of income and compliance with the CIPFA Code.</p> <p>Substantive testing of material income streams is planned in future years as part of the build-back plan and, in 2024/25, this time was re-focused to support additional work undertaken on journals, ledger reconciliations, property, plant and equipment and significant balance sheet items.</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). Along with other factors explained in this report, we plan to disclaim the opinion for 2024/25.</p>



# Key audit findings: significant risks

## Fraud in expenditure recognition

### Significant risk

#### Fraud in expenditure recognition – Relates to Council and group

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:

- there is little opportunity available to manipulate expenditure recognition;
- there is limited incentive to manipulate expenditure recognition
- 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.
- significant amount of expenditure is in relation to pay, and
- 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.

#### Inherent risk of material misstatement:

- Expenditure recognition (Occurrence, Accuracy and Cut-off): Low
- Creditors (Existence and Completeness): Low



# Key audit findings: significant risks

## Fraud in expenditure recognition continued....

Audit approach	Audit findings and conclusion
<p>We have performed 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> </ul> <p>We have been unable to perform the following procedures specifically designed to address this risk as a result of the back stop:</p> <ul style="list-style-type: none"> <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> <p>In addition to the procedures outlined in the audit plan, we performed the following procedures to further address the cut-off and completeness assertions for expenditure. Given that the statements of accounts for the previous four financial years were disclaimed, we considered it important to obtain additional assurance that revenue was recorded in the correct accounting period:</p> <ul style="list-style-type: none"> <li>Substantively testing post and pre-year-end bank payments and invoices received in the Accounts Payable system to ensure completeness and cut-off of transactions; and</li> </ul> <p>We have also agreed the expenditure balances from the financial statements to the General Ledger.</p>	<p>In line with our build back plan, we have not evaluated the Council’s accounting policies for recognition of expenditure and compliance with the CIPFA Code.</p> <p>Substantive testing of material expenditure streams is planned in future years as part of the build-back plan and, in 2024/25, this time was re-focused to support additional work undertaken on journals, ledger reconciliations, property, plant and equipment and significant balance sheet items.</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). Along with other factors explained in this report, we plan to disclaim the opinion for 2024/25.</p>



# Key audit findings: significant risks

## Valuation of other land and buildings and investment property

### Significant risks

#### Valuation of other land and buildings and investment property (key accounting estimate) – Relates to Council and group

Revaluation of other land and buildings and investment property should be performed with sufficient regularity so that carrying amounts are not materially misstated.

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 three years and it undertakes a full revaluation of its investment property annually.

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.

The 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.

These valuations represent 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.

#### Inherent risk of material misstatement:

- Other Land and Buildings and Investment Property (valuation): High



# Key audit findings: significant risks

## Valuation of other land and buildings and investment property continued....

Audit approach	Audit findings and conclusion
<p>We have performed the below procedures to mitigate risks of material misstatement in this area:</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>• For a sample of assets revalued in year, 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> <li>• A change in audit approach was taken since planning, because we had no assurance over the prior year asset values which movements in valuation were planned to be assessed against.</li> </ul> <p>We have been unable to complete performance of the following procedure specifically designed to address this significant risk as a result of the back stop:</p> <ul style="list-style-type: none"> <li>• For a sample of assets revalued in year, testing the information used by the valuer to ensure it is complete and consistent with our understanding.</li> </ul>	<p>We have started but not been able to conclude our work for the following reasons:</p> <ul style="list-style-type: none"> <li>• delays in ability to reconcile the fixed asset register with the trial balance, and valuation report after working through with management; and</li> <li>• delays in response from valuer and their assumptions and calculations.</li> </ul> <p>Based on the above, we have rolled forward a recommendation around variances between the fixed asset register and valuer's report, but are unable to reach a conclusion on this area. Along with the other factors explained in the report, we therefore plan to issue a disclaimer of opinion for the financial year 2024/25.</p> <p>Our plan is to conclude our work on PPE valuations for 2024/25 during the 2025/26 audit.</p>



# Key audit findings: significant risks

## Valuation of pension assets and liabilities

Significant risks	Audit approach
<p><b>Valuation of pension assets and liabilities (IAS19) (key accounting estimate) – 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:</b></p> <ul style="list-style-type: none"> <li>• Pension assets and liabilities (valuation): High</li> </ul>	<p>We had planned to perform the below procedures to mitigate risks of material misstatement in this area:</p> <ul style="list-style-type: none"> <li>• Evaluating managements 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 auditors’ 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>



# Key audit findings: significant risks

## Valuation of pension assets and liabilities continued....

### Audit findings and conclusion

We have performed the following procedures:

- Agree the pension disclosures to the IAS 19 report provided by the actuary;
- Assess that the asset ceiling applied by management is in line with IFRIC 14; and
- Agree the assumptions used by the actuary is within the range expected using an auditor's expert.

We have started, but not been able to conclude our work for the following reasons:

- We have not been able to gain any assurance over year-on-year movements, interest costs, interest on assets, actual return on asset, share of assets and service costs due to the prior year balances being disclaimed, meaning we have no assurance over opening balances. These areas are directly influenced by the opening balances.
- In addition, we have not been provided with assurance by the pension fund auditor over membership of the pension fund back to the last triennial valuation.

Due to audit opinions on the prior years' financial statements being disclaimed, we have no assurance over the opening balances of the pension liability. This means we have no assurance on the movements in year and cannot gain sufficient audit evidence on the material accuracy of the valuation of the pension fund liability as at 31 March 2025.

Therefore, we are unable to reach a conclusion on this area. Along with the other factors explained in the report, we therefore plan to disclaim the audit for the financial year 2024/25. More detailed findings on our consideration of this estimate are contained later in this report.



# Key audit findings: significant risks

## Implementation of IFRS 16

Significant risks	Audit approach
<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:</b></p> <ul style="list-style-type: none"><li>Lease liabilities and right of use assets (valuation and completeness): High</li></ul>	<p>We had planned to perform the below procedures to mitigate risks of material misstatement in this area:</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 associated 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 Wimbledon Lease 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>



# Key audit findings: significant risks

## Implementation of IFRS 16 continued....

### Audit findings and conclusion

We have been unable to perform the following procedures specifically designed to address this significant risk as a result of the back stop, except for the following:

- Performed 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;
- Reviewed the Council's contract register to ensure that any arrangements that are within the scope of IFRS 16 has been properly included and accounted for; and
- Agreed the right-of-use asset and lease liability figure in the accounts to the trial balance.

In relation to the Wimbledon income strip, we have been able to perform the following:

- Documented our understanding of the income strip process and evaluated the design effectiveness of management controls over income strip transactions. Our work on the detailed accounting judgements supporting the income strip remains ongoing. We have also considered management's judgements and accounting treatment for calculating the expected interest rate.

As of the date of writing, we have the following observations:

- The leased asset was undervalued in 2022/23. The valuer applied a net income approach, which resulted in a lower valuation. Management challenged the valuer and obtained a new 2022/23 valuation. This resulted in a restatement of the right-of-use asset and lease liability values as at 1 April 2024. We agree with management's challenge and the approach applied to restate the valuation; and
- A sinking fund contribution of £3.5 million paid to the Council to cover for risks associated with non-payment of tenants and any refurbishment has been received in 2022/23 has been included in the restated right-of-use asset and lease liability. We are considering the appropriateness of this treatment as part of our work.

Therefore, we are unable to reach a conclusion on this area. Along with the other factors explained in the report, we therefore plan to disclaim the audit for the financial year 2024/25. More detailed findings on our consideration of this estimate are contained later in this report.



# Key audit findings: other risks

## Other risks

This section summarises conclusions in relation to other identified risks which, although not considered to be significant, required specific consideration during the audit, or were risks otherwise identified during the course of the audit

Identified risk	Audit approach
<p><b>Other risk: 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>We have performed the following procedures to mitigate risks of material misstatement in this area:</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 (CFR) 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; and</li><li>• Evaluating whether the MRP has been appropriately calculated in accordance with the latest statutory guidance.</li></ul>



# Key audit findings: other risks

## Other risk: Minimum revenue provision (MRP) continued....

### Audit findings and conclusion

We have undertaken our procedures in this area except for assessing and reviewing the calculation of the CFR for appropriateness and internal consistency with other notes in the financial statements. For work completed, we have noted the following:

- £183k MRP charge was calculated based on 60-year useful life which is permitted on the MRP guidance only where the Council has an opinion from an appropriately qualified professional advisor that the assets will deliver service functionality over the said useful life. At the issuance of this report, we have not received this evidence from management. We have raised a control recommendation on this in the “Recommendations” section of this report.
- £300k MRP charge relates to the West Herts Crematorium Joint Committee. As part of our procedures in other areas of the audit, we have noted that the Council has included in its single entity accounts all the transactions and balances of the joint in the 2024/25 accounts. We have challenged management for this unusual accounting treatment and is still open at the issuance of this report. We also have not received the supporting workings for this MRP charge.
- For the remaining £298k MRP charge, we have not identified any issues over the appropriateness of the Council’s MRP policy and compliance with the latest statutory guidance.

We have started our work in assessing and reviewing the calculation of the CFR to ensure it is appropriate and consistent with other notes in the financial statements but were not able to conclude due to time constraints and the imposition of the backstop date.

Overall, as we do not have any assurance over the opening CFR, we therefore do not have assurance over the closing CFR. We therefore cannot fully conclude on the accuracy of the MRP calculation. Based on the above, we are unable to reach a conclusion on this area. Along with the other factors explained in the report, we therefore plan to issue a disclaimer of opinion for the financial year 2024/25.



# Key audit findings: other balances and areas of testing

Testing area	Commentary	Conclusion
Fixed Asset Existence and Ownership	<p>We have:</p> <ul style="list-style-type: none"> <li>• Reconciled the Fixed Asset Register to the financial statements.</li> <li>• Selected a sample of fixed assets for detailed testing.</li> <li>• Physically observed the selected assets to confirm their existence and to identify any indicators of impairment.</li> <li>• We were able to perform all planned procedures except for confirming ownership of the assets. Work on confirming ownership has commenced; however, it was not completed for the 16/55 of the samples selected for testing due to delays in receiving sufficient and appropriate evidence from management.</li> </ul> <p>Due to time constraints in meeting the backstop deadline, as per our agreement with management, backstopped our testing for this area for the current year. Therefore, we were unable to obtain assurance on this area.</p>	We have started but not been able to conclude our work for the reasons set out to the left.
Fixed Asset Additions <b>£5,383k</b>	<p>We have:</p> <ul style="list-style-type: none"> <li>• Agreed the ledger breakdown for additions to the General Ledger and Fixed Asset Register and the note for property, plant and equipment;</li> <li>• Selected samples for testing to verify accuracy, valuation and existence of the transactions; and</li> <li>• Tested 5 samples and noted no issues. For the remaining 2 samples, we have not received complete supporting evidence from the management.</li> </ul> <p>Due to time constraints in meeting the backstop deadline, as per our agreement with management, backstopped our testing for this area for the current year. Therefore, we were unable to obtain assurance on this area.</p>	We have started but not been able to conclude our work for the reasons set out to the left.



# Key audit findings: other balances and areas of testing

Testing area	Commentary	Conclusion
<p>Fixed Asset Disposals  <b>Cost £2,876k</b>  <b>Accumulated depreciation £2,799k</b></p>	<p>We have:</p> <ul style="list-style-type: none"> <li>• Agreed the ledger breakdown for additions to the General Ledger and Fixed Asset Register and the note for property, plant and equipment;</li> <li>• Selected samples for testing to verify accuracy and occurrence of the transactions, where we have noted the following: <ul style="list-style-type: none"> <li>○ One sample relates to derecognition of the West Herts Crematorium on the Council's fixed asset register. This is due to the Council including all the transactions and balance of West Herts Crematorium Joint Committee in the 2024/25 accounts. We have challenged management for this unusual accounting treatment and is still open at the issuance of this report.</li> <li>○ Two samples relate to derecognition of fully depreciated assets where the Council has not been able to provide us sufficient and appropriate evidence that those assets are no longer in use or exist as at year-end. From conversations with management, this is a result of poor recordkeeping of asset additions in the previous years where purchases of multiple assets are only included in a single line in the fixed asset register and there were no proper monitoring of those after recognition. Hence, the approach taken by management is to derecognise those at the end of their useful life. Proceeds from sale of assets that cannot be properly traced back to the fixed asset register is recognised in full as a gain and capital receipt in the CIES. We have raised a control recommendation in relation to this issue.</li> </ul> </li> </ul> <p>Due to time constraints in meeting the backstop deadline, as per our agreement with management, backstopped our testing for this area for the current year. Therefore, we were unable to obtain assurance on this area.</p>	<p>We have started but not been able to conclude our work for the reasons set out to the left.</p>
<p>PPE – net other movements in cost and valuation  <b>£12,510k</b></p> 	<p>This balance relates to the consolidation of assets from West Herts Crematorium into the single entity Balance Sheet. We have reconciled this balance to the fixed asset register, however, as stated in other sections within this report, we have been unable to conclude on the consolidation of West Herts Crematorium into the single entity accounts. As such, we have omitted these assets from our testing. The testing of this balance will be resumed if it is confirmed that the assets should be kept on Three Rivers Council's single entity balance sheet.</p> <p>Due to time constraints in meeting the backstop deadline, as per our agreement with management, backstopped our testing for this area for the current year. Therefore, we were unable to obtain assurance on this area.</p>	<p>We have started but not been able to conclude our work for the reasons set out to the left.</p>

# Key audit findings: other balances and areas of testing

Testing area	Commentary	Conclusion
<p>Short-Term Debtors  <b>£9,661k</b>  <b>(gross: £12,388k;</b>  <b>allowance for</b>  <b>impairment: -£2,727k)</b></p>	<p>We have performed the following procedures:</p> <ul style="list-style-type: none"> <li>• Agreed the ledger breakdown to the TB and supporting notes for short-term debtors and payments in advance.</li> <li>• Selected samples to verify accuracy and existence of the balances as at year-end except for £1,904k debtors control account balance where we experienced delays in receiving the appropriate breakdown/analysis. Hence, we were unable to gain assurance over the said balance.</li> <li>• We have not identified any issues on the samples selected for various debtor balances totalling £5,263k; council tax related debtors of £1,458k; and non-domestic rates related debtors of £1,739k.</li> <li>• Recalculated the £1,095k council tax debtors from precepting authorities related to their share in the cumulative collection fund deficit where we have not noted any issues. However, since we do not have any assurance over the collection fund accounts, we therefore cannot conclude over the accuracy of this debtor balance.</li> <li>• Evaluated the management’s assumptions in determining the allowance for impairment, reperformed the aging of outstanding debtor balances and impairment allowance calculation and assessed the reasonableness of the estimate made. An allowance for impairment of (£1,716k) has been provided for against the general fund debtor balance. We were unable to satisfy ourselves over the accuracy and completeness of the aging schedule on some balances where allowance for impairment of (£1,471k) has been provided for. Hence, we were unable to gain assurance over the said balance.</li> </ul> <p>From the work performed, we have identified a (£297k) classification error related to the Council’s share in NNDR overpayments which should have been mapped in short-term creditors which management has agreed to adjust for.</p> <p>Due to time constraints in meeting the backstop deadline, as per our agreement with management, we have backstopped our testing for this area for the current year. Therefore, we were unable to obtain assurance on this area.</p>	<p>We have started but not been able to conclude our work for the reasons set out to the left.</p>



# Key audit findings: other balances and areas of testing

Testing area	Commentary	Conclusion
Long-Term Debtors <b>£8,469k</b>	<p>We have:</p> <ul style="list-style-type: none"><li>• Agreed the ledger breakdown to the TB and supporting notes for long-term debtors.</li><li>• Selected samples to verify accuracy and existence of the balances as at year-end.</li><li>• Sought direct confirmation from the counterparties, with management's consent, for the value of the investments shown in the accounts;</li><li>• Received independent confirmations for all of them except for Watford Community Housing. Hence, we were unable to gain assurance over the £3,450k long-term debtor balance; and</li><li>• Verified the classification of investments as short-term and long-term for the disclosure purposes.</li></ul> <p>No issues were noted for the rest of the long-term debtor balance apart from the £3,450k above where we have not been able to receive the direct confirmation from the counterparty.</p>	We have started but not been able to conclude our work for the reasons set out to the left.



# Key audit findings: other balances and areas of testing

Testing area	Commentary	Conclusion
Investments <ul style="list-style-type: none"> <li>• Long term <b>£511k</b></li> <li>• Short term <b>£25,993k</b></li> </ul>	We have: <ul style="list-style-type: none"> <li>• Agreed the ledger breakdown for short- and long-term investments to the financial statements.</li> <li>• Sought direct confirmation from the financial institutions, with management’s consent, for the value of the investments shown in the accounts;</li> <li>• Received independent confirmations for all some of the investments;</li> <li>• Verified the classification of investments as short-term and long-term for the disclosure purposes; and</li> <li>• Calculated interest accrued based on the direct confirmations received from financial institutions.</li> </ul> <p>No issues were identified from our testing.</p>	Our testing over this area is complete. We have not identified any matters to report to you.
Cash and cash equivalents <b>£10,819k</b>	We have: <ul style="list-style-type: none"> <li>• Obtained an understanding of process and control over cash and cash equivalents:</li> <li>• Agreed the ledger breakdown to the trial balance and supporting notes for cash and cash equivalents;</li> <li>• Obtained and tested bank reconciliation statement for the bank accounts as at the year- end where reconciling items were noted;</li> <li>• Sought direct confirmation from the financial institutions, with management’s consent, for the value of each bank accounts as at 31 March 2025 and have received the responses. No issues has been identified in the balances confirmed;</li> </ul> <p>No issues noted in our testing.</p>	Our testing over this area is complete. We have not identified any matters to report to you.
Provisions <ul style="list-style-type: none"> <li>• Short term <b>£3,975k</b></li> </ul>	We have: <ul style="list-style-type: none"> <li>• Reconciled the provisions per the financial statements to underlying records and the General Ledger;</li> <li>• Received the workings supporting the Non-domestic Rate Appeals provision from management, as the only material provision in the overall balance;</li> <li>• Tested the Non-domestic Rate appeals provision through sample testing.</li> </ul> <p>Due to the prior years’ accounts being disclaimed, we have no assurance on the opening provision balances and therefore the movement in year for Non-domestic Rate Appeals provisions.</p>	We have started but not been able to conclude our work for the reasons set out to the left.



# Key audit findings: other balances and areas of testing

Testing area	Commentary	Conclusion
<p>Creditors £19,987k</p>	<p>We have performed the following procedures:</p> <ul style="list-style-type: none"> <li>• Agreed the ledger breakdown to the TB and supporting notes for short-term creditors and receipts in advance.</li> <li>• Selected a sample of transactions to verify accuracy and existence of the balances as at year-end except for the following:               <ul style="list-style-type: none"> <li>○ creditors control and payroll creditor balance amounting to £2,850k where we experienced delays in receiving the appropriate breakdown/analysis. Hence, we were unable to gain assurance over the said balance; and</li> <li>○ share in precepting authorities of NNDR overpayments amounting to £445k where management was unable to provide a detailed listing for us to sample from due to the limitations of the NDR system, Academy.</li> </ul> </li> </ul> <p>Hence, we were unable to gain assurance over the said balances.</p> <ul style="list-style-type: none"> <li>• We have not identified any issues on the samples selected for various creditor balances totalling £3,044k; council tax related creditors of £333k; and non-domestic rates related creditors of £5,352k.</li> <li>• Recalculated the £862k NDR creditors from precepting authorities related to their share in the cumulative collection fund deficit where we have not noted any issues. However, since we do not have any assurance over the collection fund accounts, we therefore cannot conclude over the accuracy of this creditor balance.</li> <li>• We were unable to conclude work on the following creditor balances:               <ul style="list-style-type: none"> <li>○ levy and safety net creditor of £3,552k where a major input in the calculation is the NDR income during the year where we do not have any assurance over; and</li> <li>○ NNDR pool accrual of £2,831k due to the nature of the accrual and difficulty by management to provide sufficient evidence in relation to the accrual.</li> </ul> </li> </ul> <p>From the work performed, we have identified a £307k creditor balance which was incorrectly accounted for twice. Management has agreed to adjust for the said misstatement.</p> <p>Due to time constraints in meeting the backstop deadline, as per our agreement with management, we have backstopped our testing for this area for the current year. Therefore, we were unable to obtain assurance on this area.</p>	<p>We have started but not been able to conclude our work for the reasons set out to the left.</p>



# Key audit findings: other balances and areas of testing

Testing area	Commentary	Conclusion
Borrowings <ul style="list-style-type: none"> <li>• Long term <b>£14,000k</b></li> <li>• Short term <b>£256k</b></li> </ul>	We have: <ul style="list-style-type: none"> <li>• Agreed the ledger breakdown to the trial balance;</li> <li>• Tested all the borrowings as at year end to verify accuracy and existence of the balances as at year-end;</li> <li>• We obtained direct confirmation from third parties where applicable and matched the amount for borrowings to the confirmations; and</li> <li>• Verified the classification of borrowing as short-term and long-term for the disclosure purposes.</li> <li>• Upon our review of the borrowings, we identified misstatements related to classification and disclosure.</li> </ul> <p>No issues noted in our testing.</p>	Our testing over this area is complete. We have not identified any matters to report to you.
Reserves	We have: <ul style="list-style-type: none"> <li>• Evaluated the completeness of the statutory adjustments included in the 2024/25 movement in reserves statement;</li> <li>• Reconciled the internal consistency of reserves movements in year with other parts of the financial statements; and</li> <li>• Not been able to conclude the accuracy of the movements as the movements and the closing balance are directly influenced by the opening balance.</li> </ul>	We have started but not been able to conclude our work for the reasons set out to the left.
REFCUS <b>£5,241k</b>	We have: <ul style="list-style-type: none"> <li>• Agreed the ledger the REFCUS listing provided by the client to the amount per the accounts;</li> <li>• Selected samples for testing to verify completeness, cut off, accuracy and occurrence of the transactions; and</li> <li>• Tested 4 samples and noted no issues. For the remaining 1 sample, we have not received complete supporting evidence from the management. This sample amount is £3.9m and is a reversal of a payment in advance from 23/24.</li> </ul> <p>Due to time constraints in meeting the backstop deadline, as per our agreement with management, backstopped our testing for this area for the current year. Therefore, we were unable to obtain assurance on this area.</p>	We have started but not been able to conclude our work for the reasons set out to the left.



# Key audit findings: other balances and areas of testing

Testing area	Commentary	Conclusion
Collection fund	<p>Planned procedures included:</p> <ul style="list-style-type: none"> <li>• Obtaining the council tax system report for council tax and its reliefs for the year and reconciling it to the Collection Fund Income and Expenditure (I&amp;E) Account;</li> <li>• Obtaining the NNDR system report for NNDR and its reliefs for the year, which we matched to the collection fund income and expenditure account;</li> <li>• Selecting samples of council tax reliefs and NNDR reliefs from the underlying listings to test the accuracy and occurrence of these transactions;</li> <li>• Performing analytical procedures over council tax and NNDR income in accordance with the Collection Fund Income and Expenditure Account;</li> <li>• Testing precepts, council tax demand and business rates expenditure, and their allocation to the relevant precepting authorities in line with the Collection Fund disclosures; and</li> <li>• Testing the bad debt allowance and its allocation to the relevant precepting authorities</li> </ul> <p>We have only performed the testing on the bad debt allowance and allocation to precepting authorities as part of the work performed on collection fund related debtors and creditors. The movement in the allowance shown as part of charges to the collection fund on the Collection Fund I&amp;E Account is calculated as the difference between closing and opening balance of the bad debt allowance. While we have gained assurance over the closing balance, we have no assurance over the opening balance of the bad debt allowance. Hence, we cannot conclude over the accuracy of the movement during the year.</p> <p>We were unable to perform the other planned procedures enumerated above. In line with our communications and agreement with management, the audit effort was prioritised towards balance sheet financial statement areas, balance sheet build-back work, and the testing of management override of controls, including journal entry testing. Due to time constraints in meeting the backstop deadline, as per our agreement with management, backstopped our testing for this area for the current year.</p> <p>Therefore, we were unable to obtain assurance on this area.</p>	<p>We have started but not been able to conclude our work for the reasons set out to the left.</p>



# Key audit findings: other balances and areas of testing

Testing area	Commentary	Conclusion
Cash flow statement	<p>We have:</p> <ul style="list-style-type: none"> <li>Obtained the working paper for cashflow statement and its related notes as at the year end from the management for the draft financial statements.</li> </ul> <p>We had planned to perform the below procedures:</p> <ul style="list-style-type: none"> <li>Reconciled the movements in year to other parts of the accounts to confirm internal consistency. However, as these movements are directly influenced by opening balances, over which we have no assurance, we are not able to confirm the accuracy of the movements presented.</li> </ul> <p>However, due to time constraints in meeting the backstop deadline, as per our agreement with management, backstopped our testing for this area for the current year. Therefore, we were unable to obtain assurance on this area.</p>	We have started but not been able to conclude our work for the reasons set out to the left.
Group accounts	<p>We have:</p> <ul style="list-style-type: none"> <li>Obtained management’s consolidation working papers; and</li> <li>Tested the share of the joint venture, Three Rivers Homes Limited, recognised in the group financial statements.</li> </ul> <p>No issues noted from this testing.</p>	Our testing over this area is complete. We have not identified any matters to report to you.
West Herts Crematorium Accounting Treatment	<p>From the work performed on other areas of the financial statements, we have identified that the Council has included in its single-entity accounts all the transactions and balances of West Herts Crematorium Joint Committee in the 2024/25 accounts. We have challenged management on this unusual accounting treatment, and this matter remains outstanding at the time of writing this report. The impact of this potential adjustment is pervasive and likely to be material in nature.</p>	We have started but not been able to conclude our work for the reasons set out to the left.



# Key audit findings: other balances and areas of testing

Testing area	Commentary	Conclusion
Grant income <ul style="list-style-type: none"> <li>Government grants and contributions <b>£26,338</b></li> <li>Capital grants and contributions <b>£3,130</b></li> </ul>	We have: <ul style="list-style-type: none"> <li>Reconciled the government grants and contributions income and capital grants and contributions income as per the financial statements to the trial balance; and</li> </ul> Due to time constraints in meeting the backstop deadline, as per our agreement with management, backstopped our testing for this area for the current year. Therefore, we were unable to obtain assurance on this area, specifically over occurrence and accuracy.	We have started but not been able to conclude our work for the reasons set out to the left.
Fees and charges income <b>£18,532k</b>	We have: <ul style="list-style-type: none"> <li>Agreed the trial balance to the supporting notes for fees and charges income; and</li> </ul> Due to time constraints in meeting the backstop deadline, as per our agreement with management, backstopped our testing for this area for the current year. Therefore, we were unable to obtain assurance on this area, specifically over occurrence and accuracy.	We have started but not been able to conclude our work for the reasons set out to the left.
Taxation income <b>£13,582k</b>	We have: <ul style="list-style-type: none"> <li>Agreed the trial balance to the supporting notes for income from council tax and non-domestic rates; and</li> </ul> Due to time constraints in meeting the backstop deadline, as per our agreement with management, backstopped our testing for this area for the current year. Therefore, we were unable to obtain assurance on this area, specifically over occurrence and accuracy.	We have started but not been able to conclude our work for the reasons set out to the left.
Interest and investment income <b>£2,122k</b>	We have: <ul style="list-style-type: none"> <li>Agreed the trial balance to the supporting notes for interest and investment income; and</li> </ul> Due to time constraints in meeting the backstop deadline, as per our agreement with management, backstopped our testing for this area for the current year. Therefore, we were unable to obtain assurance on this area, specifically over occurrence and accuracy.	We have started but not been able to conclude our work for the reasons set out to the left.



# Key audit findings: other balances and areas of testing

Testing area	Commentary	Conclusion
Completeness of income	<p>We have:</p> <ul style="list-style-type: none"> <li>• Searched for unrecorded transactions by selecting and testing a substantive sample of invoices added to the accounts receivable system pre and post year end to ensure they were accounted for in the correct period;</li> <li>• Searched for unrecorded transactions by selecting and testing a substantive sample of cash receipts from the bank statements pre and post year end to ensure they were accounted for in the correct period; and</li> <li>• No issues were identified from our sample testing.</li> </ul>	Our testing over this area is complete. We have not identified any matters to report to you.
Employee benefit expenditure <b>£18,085k</b>	<p>We have:</p> <ul style="list-style-type: none"> <li>• Agreed the trial balance to supporting notes for employee benefit expenditure.</li> </ul> <p>However, due to time constraints in meeting the backstop deadline, as per our agreement with management, backstopped our testing for this area for the current year. Therefore, we were unable to obtain assurance on this area.</p>	We have started but not been able to conclude our work for the reasons set out to the left.
Depreciation and amortisation <b>£5,639k</b>	<p>We have:</p> <ul style="list-style-type: none"> <li>• Reconciled the depreciation of non-current assets as per the note in the financial statements to the trial balance;</li> <li>• Agreed the depreciation expense shown in the financial statements to the Fixed Asset Register;</li> <li>• Performed analytics on the depreciation expense for accuracy and completeness.</li> <li>• We were able to confirm the in-year expense shown. However, the closing balance is directly influenced by the opening balance and therefore we are unable to conclude the expense is correctly accounted for.</li> </ul> <p>Due to time constraints in meeting the backstop deadline, as per our agreement with management, backstopped our testing for this area for the current year. Therefore, we were unable to obtain assurance on this area.</p>	We have started but not been able to conclude our work for the reasons set out to the left.



# Key audit findings: other balances and areas of testing

Testing area	Commentary	Conclusion
Impairments and revaluations <b>£6,150k</b>	<p>We have:</p> <ul style="list-style-type: none"> <li>• Reconciled the impairment and net revaluation movements of non-current assets as per the note in the financial statements to the trial balance;</li> <li>• Agreed the balance shown in the financial statements to the Fixed Asset Register; and</li> <li>• We were unable to confirm the in-year expense shown as this is a balancing figure calculated using the disclaimed opening balance and therefore, we are unable to conclude the expense is correctly accounted for.</li> </ul> <p>Due to time constraints in meeting the backstop deadline, as per our agreement with management, backstopped our testing for this area for the current year. Therefore, we were unable to obtain assurance on this area.</p>	We have started but not been able to conclude our work for the reasons set out to the left.
Other services expenditure <b>£42,306k</b>	<p>We have:</p> <ul style="list-style-type: none"> <li>• Agreed the trial balance to supporting notes for other services expenditure</li> <li>• Agreed the expense ledger breakdown to the TB and supporting note for other operating expenditure.</li> </ul> <p>Due to time constraints in meeting the backstop deadline, as per our agreement with management, backstopped our testing for this area for the current year. Therefore, we were unable to obtain assurance on this area.</p>	We have started but not been able to conclude our work for the reasons set out to the left.
Gain on the disposal of assets <b>£1,510k</b>	<p>We have:</p> <ul style="list-style-type: none"> <li>• Reconciled the gain on disposal of non-current assets as per the financial statements to the GL and Fixed Asset Register;</li> <li>• Received workpapers supporting the disposals;</li> <li>• Been unable to verify the calculated gain as the carrying values in the Fixed Asset Register have been disclaimed due to the backstop in recent years; and</li> </ul> <p>Due to time constraints in meeting the backstop deadline, as per our agreement with management, backstopped our testing for this area for the current year. Therefore, we were unable to obtain assurance on this area.</p>	We have started but not been able to conclude our work for the reasons set out to the left.



# Key audit findings: other balances and areas of testing

Testing area	Commentary	Conclusion
Completeness of expenditure	<p>We have:</p> <ul style="list-style-type: none"><li>• Searched for unrecorded liabilities by selecting and testing a substantive sample of invoices added to the accounts payable system post year end to ensure they were accounted for in the correct period;</li><li>• Searched for unrecorded liabilities by selecting and testing a substantive sample of cash payments from the bank statements post year end to ensure they were accounted for in the correct period; and</li><li>• Received evidence for two sample items, which are currently under review by the audit team.</li></ul> <p>Due to time constraints in meeting the backstop deadline, as per our agreement with management, backstopped our testing for this area for the current year. Therefore, we were unable to obtain assurance on this area.</p>	We have started but not been able to conclude our work for the reasons set out to the left.



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# Key audit findings: other procedures

## Other specific procedures we have undertaken in 2024/25 include the following:

- ▶ Responding to any actual or suspected non-compliance with laws and regulations of which we have become aware;
- ▶ Reviewing minutes of meetings including, but not limited to, full Council, Cabinet and the Audit Committee;
- ▶ IT General controls and work under ISA315;
- ▶ Business process documentation and walkthroughs;
- ▶ Agreeing opening balances and comparative figures to prior year financial statements;
- ▶ Agreeing the financial statements to the Council's trial balance and general ledger;
- ▶ Checking financial statements for internal consistency and arithmetic accuracy;
- ▶ Confirming the audit fee reported in the financial statements;
- ▶ Undertaking a high-level review of the accounts to assess for material omissions or disclosure errors;
- ▶ Undertaking a high-level Audit Manager and Engagement Lead review of the 2024/25 financial statements;
- ▶ Confirming that accounts have been issued and approved in line with The Accounts and Audit Regulations 2015;
- ▶ Procedures in respect of subsequent events after the balance sheet date, including enquiries of management;
- ▶ Updating our planning and risk assessment and procedures on receipt of the financial statements (post-statement procedures) including re-considering our materiality thresholds;
- ▶ Updating our scoping procedures following receipt of the financial statements;
- ▶ Undertaking comprehensive build-back scoping across all disclaimed years;
- ▶ Undertaking post-statement analytical procedures;
- ▶ Reviewing the form and content of the Narrative Report;
- ▶ Evaluating any misstatements identified; and
- ▶ Drafting an Audit Plan and Audit Completion Report and presenting these to the Audit Committee.



## Key audit findings: other areas of focus

Area of focus	Issue	Audit findings and conclusion
Significant matters on which there was disagreement with management	There were no significant matters on which there was disagreement with management.	None noted.
Significant management judgements which required additional audit work and / or where there was disagreement over the judgement and / or where the judgement is significant enough that we are required to report it to those charged with governance before they consider their approval of the accounts	<p><b>Wimbledon Income Strip</b> 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 such as the sinking fund contribution received at lease inception. As part of work performed, it was revealed during the 2024/25 audit that asset was incorrectly valued at lease inception and this resulted in a restatement of the prior year periods by management in the re-issued accounts. We have also considered management's judgements and accounting treatment for calculating the expected interest rate.</p> <p><b>West Herts Crematorium Joint Committee Accounting</b> The Council has included in its single-entity accounts all the transactions and balances of West Herts Crematorium Joint Committee in the 2024/25 accounts. We have challenged management on this unusual accounting treatment, and this matter remains outstanding at the time of writing this report.</p>	Our work on the detailed procedures on both judgements remains ongoing. In line with the build-back plan, the completion of this work will not enable the disclaimer to be lifted and, along with the other factors explained in the report, we therefore plan to issue a disclaimer of opinion for the financial year 2024/25.
<p>Concerns identified in the following:</p> <ul style="list-style-type: none"> <li>• Consultation by management with other accountants on accounting or auditing matters</li> <li>• Matters significant to the oversight of the financial reporting process</li> <li>• Adjustments / transactions identified as having been made to meet an agreed system position / target</li> </ul>	No concerns were identified.	None noted.



# Key audit findings: other areas of focus

Area of focus	Issue	Audit findings and conclusion
<p>Prior year adjustments identified</p>	<p>Within the draft accounts re-published on 29 September 2025, management have processed several prior period adjustments (PPAs) to correct historic errors:</p> <ol style="list-style-type: none"> <li>1. <u>Valuation of properties acquired under a finance lease</u>: Error was identified on a finance-leased investment property associated with the Wimbledon income strip, requiring significant restatement of both the asset value and associated lease liabilities.</li> <li>2. <u>Posting omissions and other General Fund adjustments</u>: Errors were found in prior-year reserve movements, including mis-posted entries relating to the Wimbledon income strip arrangement and Collection Fund balances. These required adjustments to opening balances.</li> <li>3. <u>Valuation of operational assets</u>: Some operational properties (e.g., Aquadrome and temporary accommodation) were incorrectly valued in the prior year and needed retrospective correction.</li> </ol> <p>As these PPAs affects the balance sheet, in accordance with IAS 1, management is also required to add a third balance sheet to show the impact of the opening balance to 2023/24 financial year.</p> <p>In addition, management have restated the prior-year accounts following the decision to include the West Herts Crematorium Joint Committee’s balances within the single entity statements. As mentioned in previous sections, the appropriateness of this treatment remains under review with management. These adjustments, however, have not been disclosed within the Prior Period Adjustment note.</p> <p>Finally, within the re-published draft accounts on 29 September 2025, we identified a high number of inconsistencies between the prior year accounts and figures disclosed for 2023/24 balances, where it was not stated that the balances in the prior-year have been re-stated. We have not separately presented these inconsistencies due to the high number of them, but we have identified 35 which were material and 35 which were immaterial.</p>	<p>Due to the missing assurance for prior periods and the time constraints imposed by the statutory backstop we have not completed all our planned procedures and will issue a disclaimer of opinion.</p>



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# Key judgements and estimates



# Key judgements and estimates

Key judgements and estimates, as well as other judgements and estimates made by management, are set out in the table below along with audit commentary on these judgements and estimates in line with the enhanced requirements for auditors.

Significant judgement or estimate	Value in accounts £000	Summary of management's approach	Audit comments and assessment
Land and buildings valuations (key accounting estimate)	<b>£111,050</b>	<p>The other land and buildings revalued include specialised buildings and land valued on a Depreciated Replacement Cost (DRC) basis and Existing Use in Value (EUV) basis.</p> <p>The Council has engaged an external valuer, Align, to value the asset portfolio on a three-year rolling valuation basis. This is the second year of the engagement.</p> <p>This has led to an overall net increase of £6,462k from the 31 March 2024 asset value (£104,588k). This increase includes movements other than revaluations, such as additions, derecognition of asset components and depreciation.</p>	<p>Our work to assess this estimate began with reconciling the values per the fixed asset register with the trial balance and valuation report, which was delayed due to numerous inconsistencies between the valuation report and asset register.</p> <p>We then selected a sample of revalued land and building assets to test the valuer's assumptions and calculations, the supporting evidence for their calculations, as well as the accuracy of journal postings by management to recognise this accurately.</p> <p>We then experienced long delays in receiving response and evidence from the valuer, as such this testing was unable to be completed in time for the audit back stop</p> <p>We have rolled forward a recommendation from the prior year around variances between the fixed asset register and valuer's report.</p> <p>We are unable to form a conclusion. Our opinion will be disclaimed.</p>



# Key judgements and estimates

Significant judgement or estimate	Value in accounts £000	Summary of management's approach	Audit comments and assessment
Investment property valuations (key accounting estimate)	<b>£44,949</b>	<p>The investment properties revalued include assets revalued using the Existing Use in Value (EUV) basis.</p> <p>The Council has engaged an external valuer, Align, to value the asset portfolio on a three-year rolling valuation basis. This is the second year of the engagement.</p> <p>This has led to an overall net decrease of £3,265k from the 31 March 2024 asset value (£48,214k). This increase includes movements other than revaluations, such as lease remeasurement.</p>	<p>Our work to assess this estimate began with reconciling the values per the fixed asset register with the trial balance and valuation report, which was delayed due to numerous inconsistencies between the valuation report and asset register.</p> <p>We then selected a sample of revalued investment property assets to test the valuer's assumptions and calculations, the supporting evidence for their calculations, as well as the accuracy of journal postings by management to recognise this accurately.</p> <p>We then experienced long delays in receiving response and evidence from the valuer, as such this testing was unable to be completed in time for the audit back stop.</p> <p>We have rolled forward a recommendation from the prior year around variances between the fixed asset register and valuer's report.</p> <p>We are unable to form a conclusion. Our opinion will be disclaimed.</p>



# Key judgements and estimates

Significant judgement or estimate	Value in accounts £000	Summary of management's approach	Audit comments and assessment																								
Valuation of the defined pension fund net liability (key accounting estimate)	(813)	<p>The Council's total net pension liability is held with the Hertfordshire Pension Fund. The Pension Fund use Barnett Waddingham, an external actuary, to provide the valuation of the Council's share of the Pension Fund's assets and liabilities. A full valuation is required every three years. Following receipt of the actuary's report, which showed a net asset position, management considered the requirements of IFRIC 14 and concluded with a net liability in the financial statements.</p> <p>The year end valuation of net pension liability was £813k, a net increase of £94k from 2023/24 (£-719k).</p>	<p>We have undertaken the following in the course of our testing:</p> <ul style="list-style-type: none"> <li>Reviewed the adequacy of the disclosure in the financial statements;</li> <li>Reviewed the reasonableness and accuracy of the IFRIC14 assessment prepared by the actuary and the impact on the asset ceiling; and</li> <li>Used our auditor's expert (PwC) to assess assumptions made by the actuary.</li> </ul> <table border="1" data-bbox="1098 568 2423 982"> <thead> <tr> <th>Assumption</th> <th>Actuary value</th> <th>PwC range</th> <th>Assessment</th> </tr> </thead> <tbody> <tr> <td>Discount rate</td> <td>5.8%</td> <td>5.6 – 5.95%</td> <td>Within range</td> </tr> <tr> <td>Pension increase rate</td> <td>2.9%</td> <td>2.85 – 2.95%</td> <td>Within range</td> </tr> <tr> <td>Salary growth</td> <td>3.9%</td> <td>1% above pension increase</td> <td>Within range</td> </tr> <tr> <td>Life expectancy: males currently 45-65</td> <td>21.2</td> <td>19.2 – 21.8</td> <td>Within range</td> </tr> <tr> <td>Life expectancy: females currently 45-65</td> <td>24.1</td> <td>22.7 – 24.3</td> <td>Within range</td> </tr> </tbody> </table> <p>However, we have been unable to perform the following procedures this financial year:</p> <ul style="list-style-type: none"> <li>Assessed the competence, capability and independence of management's expert actuary;</li> <li>Assessed the actuarial approach taken to confirm reasonableness of approach;</li> <li>Reviewed completeness and accuracy of the underlying information used to determine the estimate; and</li> <li>Reviewed the reasonableness of the Council's share of local pension scheme assets.</li> </ul> <p>Due to audit opinions on the prior years' financial statements being disclaimed, we have no assurance over the opening balances of the pension liability. This means we have no assurance on the movements in year and cannot conclude on the valuation of the pension fund liability as at 31 March 2025.</p>	Assumption	Actuary value	PwC range	Assessment	Discount rate	5.8%	5.6 – 5.95%	Within range	Pension increase rate	2.9%	2.85 – 2.95%	Within range	Salary growth	3.9%	1% above pension increase	Within range	Life expectancy: males currently 45-65	21.2	19.2 – 21.8	Within range	Life expectancy: females currently 45-65	24.1	22.7 – 24.3	Within range
Assumption	Actuary value	PwC range	Assessment																								
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Life expectancy: females currently 45-65	24.1	22.7 – 24.3	Within range																								



# Key judgements and estimates

Significant judgement or estimate	Value in accounts £000	Summary of management's approach
Minimum revenue provision	781	<p>The Council is responsible on an annual basis for determining the amount charged for the repayment of debt. This is known as the Minimum Revenue Provision (MRP). The basis for the charge is set out in regulations and statutory guidance.</p> <p>The year end MRP charge was £781k, a net increase of £323k from 2023/24.</p> <p>Following consultation MHCLG have clarified and updated the regulations and the statutory guidance for minimum revenue provision. Although these take full effect from April 2025, the consultation highlighted that the intention was not to change policy, but to clearly set out in legislation the practices that authorities should already be following.</p> <p>This guidance clarifies that capital receipts may not be used in place of a prudent MRP, that MRP should be applied to all unfinanced capital expenditure and that certain assets should not be omitted from the calculation unless exempted by statute.</p>



# Key judgements and estimates

## Minimum Revenue Provision (continued) – Audit comments and assessment

We have carried out the following work:

- Considered whether the Council’s policy on MRP complies with statutory guidance;
- Assessed the reasonableness of any changes to the Council’s MRP policy from the prior year;
- Assessed and benchmarked the Council’s MRP charge as a percentage of the opening capital financing requirement. A charge higher than 2% is considered a sufficiently prudent estimate. The Council’s MRP charge as a percentage of CFR is 1.15%. This may indicate higher risk of MRP being insufficient to secure longer term financial resilience.
- Assessed and benchmarked the Council’s total debt as a percentage of the capital financing requirement. A percentage lower than 100% is considered sufficiently prudent. The Council’s total debt as a percentage of CFR is 17.60%.

For work completed, we have noted the following:

- £183k MRP charge was calculated based on 60-year useful life which is permitted on the MRP guidance only where the Council has an opinion from an appropriately qualified professional advisor that the assets will deliver service functionality over the said useful life. At the issuance of this report, we have not received this evidence from management. We have raised a control recommendation on this in the “Recommendations” section of this report.
- £300k MRP charge relates to the West Herts Crematorium Joint Committee. As part of our procedures in other areas of the audit, we have noted that the Council has included in its single entity accounts all the transactions and balances of the joint in the 2024/25 accounts. We have challenged management for this unusual accounting treatment and is still open at the issuance of this report. We also have not received the supporting workings for this MRP charge.
- For the remaining £298k MRP charge, we have not identified any issues over the appropriateness of the Council’s MRP policy and compliance with the latest statutory guidance.

Overall, as we do not have any assurance over the opening CFR, we therefore do not have assurance over the closing CFR. We therefore cannot fully conclude on the accuracy of the MRP calculation. Based on the above, we are unable to reach a conclusion on this area. Along with the other factors explained in the report, we therefore plan to issue a disclaimer of opinion for the financial year 2024/25.



# Key judgements and estimates

Significant judgement or estimate	Value in accounts £000	Summary of management's approach	Audit comments and assessment
Depreciation	3,707	<p>Depreciation is charged on a straight-line basis over the useful lives of Property, Plant, and Equipment assets, except for those without a determinable life (e.g., freehold land) or not yet in use (e.g., assets under construction).</p>	<p>We performed a predictive analytical review of the depreciation balance, considering changes in useful lives and other in-year movements. We have discussed and investigated any variances outside of expectations with management.</p> <p>We have not identified any issues that require reporting to Those Charged with Governance.</p>
Non-domestic rate provisions	3,887	<p>Non-domestic rate provisions are made for possible refunds from a business rate appeals and can vary depending on factors such as; the type of appeal and type of property, together with its geographical location and the probability of appeal success.</p> <p>Estimates have been made for the provision for refunding ratepayers who may successfully appeal against the rateable value of their properties. This includes the current and previous financial years. The estimate is based on those ratepayers who have appealed.</p> <p>The year end Non-domestic provision charge was £3,887k, a net decrease of £900k from 2023/24 (£2,987k).</p> <p>Other provisions except for the non-domestic rate provision are below materiality.</p>	<p>Due to the prior years' accounts being disclaimed and the time constraints imposed by the statutory backstop, we have not completed all our planned procedures and will issue a disclaimer of opinion.</p>



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# Other responsibilities



# Financial statements: other responsibilities

Matter	Commentary	Findings
<b>Matters in relation to fraud</b>	We have previously discussed the risk of fraud with management and the audit committee. We have not been made aware of any other incidents in the period. No other issues have been identified during the course of our audit from the work we have been able to complete.	As we plan to issue a disclaimer of opinion for the audit, we are unable to reach a final conclusion on this area.
<b>Matters in relation to related parties</b>	We are not aware of any related parties or related party transactions which have not been disclosed from the work we have been able to complete.	As we plan to issue a disclaimer of opinion for the audit, we are unable to reach a final conclusion on this area.
<b>Matters in relation to compliance with laws and regulations</b>	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations, and we have not identified any instances from the audit work we have been able to complete.	As we plan to issue a disclaimer of opinion for the audit, we are unable to reach a final conclusion on this area.
<b>Written representations</b>	A letter of management representations has been requested from the Council.	Please refer to the letter of representation included alongside this report.
<b>Confirmation requests from third parties</b>	We requested permission from the Council for us to send confirmation requests to their financial institutions, comprising Lloyds Bank, BLYM, Watford Community Housing and Three Rivers Homes Ltd. All requested confirmations have been received except one, from Watford Community Housing to support the Long-Term Debtors balance in the financial statements.	As we plan to issue a disclaimer of opinion for the audit, we are unable to reach a final conclusion on this area.
<b>Disclosures</b>	From the work completed, our review found no material omissions in the financial statements that management has not agreed to correct.	We have not completed all planned audit procedures required to allow us to reach a final conclusion on this area.



# Financial statements: other responsibilities

Matter	Commentary	Findings
<b>Going concern</b>	As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK) 570). Management prepared the financial statements on a going concern basis applying the continuation of services provision set out in Practice Note 10. We have confirmed that this is appropriate as there is no known intention to transfer the services provided by the Council outside the public sector. We have not identified any material uncertainties relating to going concern at the Group or Council.	As we have been unable to conclude our audit in advance of the backstop date, we have not been able to obtain sufficient appropriate audit evidence to enable us to conclude that: <ul style="list-style-type: none"> <li>• a material uncertainty related to going concern has not been identified</li> <li>• management’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.</li> </ul>
<b>Other information (Narrative report and Annual Governance Statement)</b>	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. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or whether risks are satisfactorily addressed by internal controls.	As we plan to issue a disclaimer of opinion for the audit, we are unable to reach a final conclusion on this area.
<b>Matters on which we report by exception</b>	We are required to report on a number of matters by exception: <ul style="list-style-type: none"> <li>• If the annual governance statement does not comply 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</li> <li>• Where we are not satisfied in respect of arrangements to secure value for money and have reported a significant weakness.</li> </ul>	<ul style="list-style-type: none"> <li>• As we plan to issue a disclaimer of opinion for the audit, we are unable to reach a final conclusion on this area.</li> <li>• We have not identified a significant weakness with respect to the value for money arrangements within the Council.</li> </ul>



# Financial statements: other responsibilities

Matter	Commentary	Findings
<p><b>Specified procedures for the Whole of Government Accounts</b></p>	<p>We are required to carry out specified procedures on behalf of the NAO on the WGA consolidation pack under WGA group audit instructions. Group instructions were issued in August 2025 which set out the procedures that the NAO require from component auditors. However, the NAO may direct auditors of components below the audit threshold to undertake additional work.</p> <p>The Council does not exceed the audit threshold for detailed testing set out in the group instructions. Submission of a partial assurance statement is required.</p>	<p>We will complete and submit a partial assurance statement after issue of our auditor’s report and await further guidance on whether or not any additional testing is required.</p>
<p><b>Certification of closure of the audit</b></p>	<p>We are required to certify the closure of the audit on completion of all audit work for the financial year required under the Code.</p>	<p>We cannot issue our certificate of closure until the Comptroller and Audit General has certified the WGA for 2024-25. Our auditor’s report will therefore include a delayed certificate.</p>
<p><b>Statutory powers and duties</b></p>	<p>We are required to report by exception if we have applied our other statutory powers or duties during the audit.</p>	<p>We have not exercised any of our additional statutory powers or duties.</p>



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# Audit adjustments



# Audit adjustments

## Adjusted misstatements

We are required to report all non-trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management. Details of items corrected following discussions with management are as below.

Detail	CIES £000 DR (CR)	Balance sheet £000 DR (CR)	Impact on total net expenditure £000 DR (CR)	Impact on useable reserves £000 DR (CR)
<p><b>Income and Expenditure miscoding</b> We identified a miscoding in the CIES between Financing and Investment Income and Policies and Resources line.</p> <p>DR Policy and Resources (Cost of Services) CR Financing and Investment Income and Expenditure</p>	<p>1,532 (1,532)</p>		<p>1,532 (1,532)</p>	<p>1,532 (1,532)</p>
<p><b>Movement in balances between draft accounts and re-issued accounts</b> Management submitted draft accounts before final accounts were ready, with changes to balances when re-issuing accounts on 29 September 2025.</p> <p>DR Property, Plant and Equipment CR Short Term Creditors CR Short Term Finance Liability DR (Surplus)/Deficit on Provision of Services CR Usable reserves DR Unusable reserves</p>	<p>217</p>	<p>884 (5) (17) (1,496) 417</p>	<p>217</p>	<p>217 (1,496)</p>



# Audit adjustments

## Adjusted misstatements continued...

Detail	CIES £000 DR (CR)	Balance sheet £000 DR (CR)	Impact on total net expenditure £000 DR (CR)	Impact on useable reserves £000 DR (CR)
<p><b><u>Wimbledon Finance Lease Valuation</u></b> As part of our build-back work on additions, we have picked up the Wimbledon Lease Addition in 2022/23 which has been subsequently restated due to its undervaluation. A restatement was made in the opening 2023/24 balance of the asset which we have determined to be understated by £400k.</p> <p>DR Investment Property (Opening Balance at 1 April 2024) CR Capital Adjustment Account (Opening Balance at 1 April 2024)</p> <p>DR Change in Fair Value of Investment Property CR Investment Property CR General Fund (Adjustment between accounting and funding basis) DR Capital Adjustment Account</p>				
		400 (400)		
	400	(400) (400) 400	400	400  (400)
<p><b><u>Misclassification between Short Term Debtors and Short Term Creditors</u></b> From our work on collection fund debtors and creditors, we have noted that the Council's share of NNDR overpayments has been incorrectly mapped as part of short-term debtors instead of short-term creditors</p> <p>DR Short Term Debtors CR Short Term Creditors</p>				
		297 (297)		



# Audit adjustments

## Adjusted misstatements continued...

Detail	CIES £000 DR (CR)	Balance sheet £000 DR (CR)	Impact on total net expenditure £000 DR (CR)	Impact on useable reserves £000 DR (CR)
<p><b><u>Housing Benefit Creditor Sample</u></b> We have noted that one of our samples for short-term creditors testing related to housing benefit accrual which has been accounted for twice in error.</p> <p>DR Short Term Creditors CR Policy and Resources (Cost of Services)</p>	(307)	307	(307)	(307)
<p><b><u>Housing Benefit and Rent Allowances Accrual</u></b> We have obtained a breakdown of the creditors control account where we have noted that £1,335k of housing benefit and £46k rent rebates accrual has been incorrectly classified as creditors.</p> <p>DR Short Term Creditors CR Short Term Debtors</p>		(1,381) 1,381		
Overall impact	310	(310)	310	(1,586)



# Audit adjustments

## Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit.

Disclosure / issue / omission	Outcome	Adjustment agreed?
<b>Note 22 – Movement in the value of Property, Plant &amp; Equipment</b> Management incorrectly disclosed the cost of other land & buildings as at 31 March 2025 as £110,957k instead of £112,038k.	Management has agreed to change the disclosure.	Y
<b>Note 22 – Movement in the value of Property, Plant &amp; Equipment</b> Management incorrectly disclosed the cost of total Property, Plant & Equipment as at 31 March 2025 as £134,842k instead of £135,923k.	Management has agreed to change the disclosure.	Y
<b>Note 22 – Movement in the value of Property, Plant &amp; Equipment</b> Management incorrectly disclosed the depreciation and impairment of Vehicles, Plant, Furniture & Equipment as at 31 March 2025 as £7,301k instead of £7,471k.	Management has agreed to change the disclosure.	Y
<b>Note 33 – Financial Instruments</b> Management incorrectly disclosed Total Financial Assets as £53,431k instead of £53,492k.	Management has agreed to change the disclosure.	Y
<b>Note 38 – Earmarked Reserves</b> Management incorrectly disclosed Commercial Reserve as £9,306k instead of £9,000k.	Management has agreed to change the disclosure.	Y
<b>Note 38 – Earmarked Reserves</b> Management incorrectly disclosed Total Earmarked Reserves as £23,220k instead of £22,869k.	Management has agreed to change the disclosure.	Y
<b>Note 40 – Capital Grants Unapplied Reserve</b> Management incorrectly disclosed balance as £13,524k instead of £13,255k.	Management has agreed to change the disclosure.	Y



# Audit adjustments

## Misclassification and disclosure changes - continued

The table below provides details of misclassification and disclosure changes identified during the audit.

Disclosure / issue / omission	Outcome	Adjustment agreed?
<b>Collection Fund</b> Management incorrectly disclosed Total National Non-Domestic Rates Expenditure as £52,869k instead of £52,738k.	Management has agreed to change the disclosure.	Y
<b>Collection Fund</b> Management incorrectly disclosed Total Expenditure as £140,747k instead of £140,616k.	Management has agreed to change the disclosure.	Y
<b>Group CIES</b> Management incorrectly disclosed Group Surplus or Deficit for 2023/24 as -£630k instead of -£4,087k.	Management has agreed to change the disclosure.	Y
<b>Balance Sheet</b> Management has restated numerous 2023/24 balances, as such the prior-year comparator for the 2024/25 balances have been restated . In accordance with IAS 8, management are required to include a third balance sheet to highlight these restated balances.	Management has agreed to change the disclosure.	Y



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# Building back assurance



# Building back assurance

We set out below the work we have done to build back assurance from disclaimed years of audit. Our work has been undertaken in accordance with the statutory guidance set out in Local Audit Reset and Recovery Implementation Guidance (LARRIG) 01 to 06

Build back activity	Commentary
<p><b>Risk Assessment (LARRIG 06)</b></p> <p>We are required by LARRIG 06 to evaluate the inherent risk of material misstatement in the opening general fund balances and associated earmarked reserves following prior year disclaimers.</p> <p>This in turn informs the volume of work necessary to recover assurance over the reserves position as a 1 March 2025.</p>	<p>We have considered the guidance set out in LARRIG 06 issued by the National Audit Office to determine the risk of material misstatement in the general fund reserves of the Council at 31 March 2025.</p> <p>This involved a detailed assessment of a number of risk factors, as set out in LARRIG 06, including consideration of the following:</p> <ul style="list-style-type: none"><li>• Whether the Council has a history of timely production of the financial statements</li><li>• The number of years for which disclaimed opinions have been issued</li><li>• The complexity and volume of movement in reserves over the disclaimed period</li><li>• The strength of the control environment in place over the period of disclaimed opinions</li><li>• Changes in key personnel, financial reporting systems or key processing activities during the disclaimed period</li><li>• Previous reporting of significant deficiencies in control, significant weaknesses in arrangements to secure VFM or material or other misstatements</li><li>• The level of reserves in place over the disclaimed period</li><li>• Issues reported by Internal Audit and in the Annual Governance Statements</li></ul>



# Building back assurance

## Outcome

We have undertaken comprehensive procedures in this area as part of our build-back risk assessment, in accordance with the requirements and statutory considerations set out in LARRIG06. As part of our procedures under this stream, we planned to reconcile the financial statements to the general ledger and trial balance for the current year and each previously disclaimed year, tracing back to the last non-disclaimed opinion issued on 31 March 2020.

From the work performed to date, we have identified significant variances, particularly in relation to prior period adjustments posted into the intervening years' statements of accounts.

We have also undertaken the following work:

- A consistency review of the 2023/24, 2022/23, 2021/22 and 2020/21 narrative reports against the financial statements;
- Review of the Annual Governance Statements for 2023/24, 2022/23, 2021/22 and 2020/21;
- Review of the Head of Internal Audit Opinions back to the year ended 31 March 2021;
- Review of the Minimum Revenue Provision for the 2023/24, 2022/23, 2021/22 and 2020/21 financial years;
- Design and implementation assessments of income and expenditure processes and controls for the 2022/23, 2021/22 and 2020/21 financial years;
- Review of the composition of the fixed asset register back to the year ended 31 March 2021, as well as reconciliations between the fixed asset register and accounts for the same period;
- Review of capital and revenue budgets and outturn for the period back to the year ended 31 March 2021; and
- Consistency review of the reserve movements within the financial statements for 2023/24, 2022/23, 2021/22 and 2020/21 financial years.

Additional time has been required by both audit and management to investigate these matters. We have agreed with management that there will not be sufficient time to finalise this work ahead of the backstop date. We will therefore continue these procedures as part of the 2025/26 audit.

Based on the work completed to date, we have concluded that Three Rivers District Council is at the higher end of the risk spectrum for build-back purposes. This reflects the presence of several high-risk factors identified in LARRIG06, including the complexity of the Council's financial statements, the significant income strip investment and related transactions, the size and nature of the asset portfolio, and the challenges encountered in reconciling historic accounts to the trial balance across the disclaimed period.

As a result, full build-back procedures will be required in future years for income and expenditure relating to the disclaimed period.



# Building back assurance

Build back activity	Commentary	Audit view
<p><b>Phase 2: Build back of assurance in respect of Property, Plant and Equipment over the disclaimed period</b></p> <p>In order to build back assurance over the reserves, we are required to undertake substantive testing of movements in property, plant and equipment over the disclaimed period.</p>	<p>We have undertaken procedures to substantively test valuations, depreciation, disposals, additions, reclassifications and other PPE movements back to the last non-disclaimed audit opinion. The work also included reconciling the Fixed Asset Register (FAR) to the general ledger balances and reconciling both of these to the accounts for each disclaimed year. In undertaking this work we identified a number of issues in the prior year disclosures.</p> <p><b>Valuations:</b> Work on valuations for the 2023/24 financial year were performed, because the council had a revaluation performed over all land and building assets, from which we could build back assurance. Due to delays in reconciling the fixed asset register with the trial balance, and valuation reports, as well as delays in valuer responses and evidence, work was unable to be completed and will be picked up as part of build back for 2025/26.</p> <p><b>Depreciation:</b> We have been able to reconcile depreciation within the fixed asset register to the trial balance and accounts for each year of disclaimed opinion, however, through our analytical review we are unable to conclude on the accuracy of the depreciation charged each year due complexities with the council's fixed asset register and useful life associated with numerous assets which lead to inconsistencies.</p> <p><b>Disposals:</b> We were able to reconcile the disposals on the fixed asset register and the accounts for 2021/22, 2022/23, 2023/24 but not for 2020/21. The published 2020/21 accounts did not include derecognition of fully depreciated assets with a gross book value of £8,671k. This has been changed in the comparative table in the published 2022/23 accounts. We have received listings and selected samples to test for the disclaimed periods where disposals are material. Majority of the samples picked related to derecognition of fully depreciated assets where the Council has not been able to provide us sufficient and appropriate evidence that those assets are no longer in use or exist as at year-end. From conversations with management, this is a result of poor recordkeeping of asset additions in those years where purchases of multiple assets are only included in a single line in the fixed asset register and there were no proper monitoring of those after recognition. Hence, the approach taken by management is to derecognise those at the end of their useful life. Proceeds from sale of assets that cannot be properly traced back to the fixed asset register is recognised in full as a gain in the CIES. We have raised a recommendation on this issue in our report.</p>	<p>We have started but not been able to conclude our work for the reasons set out to the left. All time allocated to this task for 2024/25 has been utilised and the constraints posed by the statutory backstop date means the work has not yet been able to be concluded</p> <p>We will continue our work on this in 2025/26.</p>



# Building back assurance

Build back activity	Commentary	Audit view
<p><b>Phase 2: Build back of assurance in respect of Property, Plant and Equipment and Investment Property over the disclaimed period (continued)</b></p>	<p><b>Additions:</b> We were able to reconcile the disposals on the fixed asset register and the accounts for all of the disclaimed periods. We have received listings and selected samples to test where additions are material. The results of the work performed is summarised below.</p> <ul style="list-style-type: none"> <li>• 2020/21 – Gained assurance over 6/9 samples; 3 remaining samples where we have open queries / requests for evidence that remains open as at writing of this report.</li> <li>• 2021/22 – Gained assurance over 3/5 samples; 2 remaining samples where we have open queries / requests for evidence that remains open as at writing of this report.</li> <li>• 2022/23 – Gained assurance over 6/10 samples; 3 remaining samples where we have open queries / requests for evidence that remains open as at writing of this report; 1 sample relating to the Wimbledon Lease addition which has been determined by management to be incorrect. This has been presented in the 2024/25 accounts as a prior period adjustment on the opening balance of the investment property as at 1 April 2024.</li> <li>• 2023/24 – Gained assurance over 3/5 samples; 2 remaining samples where we have open queries / requests for evidence that remains open as at writing of this report.</li> </ul> <p><b>Reclassifications:</b> We were able to reconcile the disposals on the fixed asset register and the accounts for all of the disclaimed periods. We have received listings and selected samples to test where reclassifications are material. We were not able to conclude on the appropriateness of the reclassification samples selected due to the following reasons:</p> <ul style="list-style-type: none"> <li>• 2021/22 – Received evidence for all of our 3 samples but were unable to process the evidence due to the time constraints and imposition of backstop date; and</li> <li>• 2022/23 – We have not received evidence for all of our 4 samples</li> </ul> <p>Consequently, further work remains outstanding for valuations across the disclaimed years to recover assurance and build back to the last clean opinion.</p>	<p>We have started but not been able to conclude our work for the reasons set out to the left. All time allocated to this task for 2024/25 has been utilised and the constraints posed by the statutory backstop date means the work has not yet been able to be concluded.</p> <p>We will continue our work on this in 2025/26.</p>



# Building back assurance

Build back activity	Commentary	Audit view
<p><b>Phase 2: Build back of assurance in respect of other balances directly influenced by the opening position over the disclaimed period</b></p> <p>In order to build back assurance over balances where the closing position is directly influenced by the opening position, we are required to undertake substantive testing of movements in these balances over the disclaimed period.</p>	<p>We have commenced our procedures in this area, but further work is required in order to conclude. The balances in question include:</p> <ul style="list-style-type: none"> <li>• Wimbledon income strip transactions: work has commenced in this area and is currently ongoing;</li> <li>• Long term debtors: work has commenced in this area and is currently ongoing;</li> <li>• Collection fund debtors and creditors: work has commenced in this area and will be concluded once historic, related income and expenditure and collection fund transactions have been substantively tested and recovered;</li> <li>• Pension liability: work has commenced in this area and will be concluded following the pension fund triennial valuation due in 2025/26; and</li> <li>• Provisions: additional work is required in respect of the NNDR appeals provision as the closing balance is directly influenced by the opening position.</li> </ul>	<p>Due to time constraints imposed by the backstop date, we were unable to fully conclude our build-back work on other balance sheet line items.</p>
<p><b>Phase 3: Build back of assurance in respect of unusable and useable reserves</b></p>	<p>We have undertaken our procedures, which includes reconciling and validating movements within the Movement in Reserves Statements (MIRS) for each disclaimed audit period back to the last clean opinion.</p> <p>During our review, we identified some trivial misstatements and casting errors in each of the years back to 31st March 2021, however overall, the closing balances appear materially accurate and reasonable.</p>	<p>All time allocated to this task for 2024/25 has been utilised and we are satisfied that the reserves statements are materially accurate.</p>



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# Value for money



# 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 NAO Code of Practice 2024 and the requirements of Auditor Guidance Note 3 ('AGN 03').

We have completed our value for money work. Our detailed findings are reported in the following commentary in this report.

We have not identified any significant weaknesses in the Council's arrangements and so are satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Reporting criteria	Planning – risk of significant weakness identified?	Final – significant weakness identified?	Recommendations made		
			Statutory	Key	Other
<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	Yes
<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



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# Independence and ethics



# Independence and ethics

The Ethical Standards and ISA (UK) 260 require us to give you full and fair disclosure of matters relating to our independence. In accordance with our profession’s ethical requirements and further to our audit plan issued confirming audit arrangements we confirm that there are no further facts or matters that impact on our integrity, objectivity and independence as auditors that we are required or wish to draw to your attention. We consider an objective, reasonable and informed third party would take the same view.

We confirm that Azets Audit Services and the engagement team complied with the FRC’s Ethical Standard. We confirm that all threats to our independence have been properly addressed through appropriate safeguards and that we are independent and able to express an objective opinion on the financial statements. In addition, we have complied with the National Audit Office’s Auditor Guidance Note 01, which sets out supplementary guidance on ethical requirements for auditors of public sector bodies.

In particular:

- ▶ Non-audit services: We provide assurance services as set out below.
- ▶ Contingent fees: No contingent fee arrangements are in place for any services provided
- ▶ Gifts and hospitality: We have not identified any gifts or hospitality provided to, or received from, any member of the Council, senior management or staff
- ▶ Relationships: We have no other relationships with the Council, its directors, senior managers and affiliates, and we are not aware of any former partners or staff being employed, or holding discussions in anticipation of employment, as a director, or in a senior management role covering financial, accounting or control related areas.

## Non-audit service fees

Service	2024/25 Fee £	Threats identified	Safeguards
Housing Benefit (HBAP) certification	28,000	Self interest (recurring fee)	The level of this recurring fee in and of itself is not considered a significant threat to independence, given the low level of the fee compared to the total fee for the audit and in particular compared to Azets’ UK turnover as a whole. The fee is fixed based on the volume of work required, with no contingent element. These factors, in our view, mitigate the perceived self-interest threat to an acceptable level.



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# Appendices



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# Appendices

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# Recommendations



# Appendix I: Recommendations

## Recommendations identified during the course of our audit

The matters reported here are limited to deficiencies we have identified during the course of our audit which we feel are of sufficient importance to merit reporting to you under the auditing standards. Recommendations arising from our value for money work are reported separately in our Auditor’s Annual Report.

Assessment	Issue	Recommendation	Management response
RED	<p><b>Preparation of financial statements</b></p> <p>The Council issued their 2024/25 draft financial statements by the statutory reporting date of 30 June 2025. However, the Council subsequently amended and revised these statements and re-issued them on 29 September 2025. In updating their accounts, management has made changes, in the comparators, to figures in the prior year audited accounts. Some of these changes are not material, MRP as an example, and thus should not have been amended in the prior year comparators. Moreover, changes should not be made retrospectively to MRP as this is a breach of legal and regulatory requirements.</p>	<p>The Council should ensure the accounts it produces on 30 June each year are its final draft statements and, importantly, should ensure it does not amend figures in the prior year accounts comparators unless a material error has been identified in line with International Accounting Standard 1 (IAS1).</p>	Management response required
RED	<p><b>Quality review of financial statements</b></p> <p>During the audit we noted several disclosure errors in the financial statements that were communicated to management and corrected. Upon reflection we noted that these deficiencies occurred due to weakness in the financial statements’ preparation and review processes.</p>	<p>The Council should ensure they do a thorough quality check of the financial statements ahead of publishing the statements and presenting for audit.</p>	Management response required

# Appendix I: Recommendations

Recommendations identified during the course of our audit (continued)

Assessment	Issue	Recommendation	Management response
AMBER	<p><b>Asset Life Used in Minimum Revenue Provision (MRP) not in line with MRP guidance</b></p> <p>From our review of the MRP workings, we have noted that £183k MRP charge was calculated based on 60-year useful life on capital expenditure from prior years. This is permitted on the MRP guidance only where the Council has an opinion from an appropriately qualified professional advisor that the assets will deliver service functionality over the said useful life. At the issuance of this report, we have not received this evidence from management.</p>	<p>We recommend for management to have sought a professional advisor opinion when deciding to calculate the MRP over the maximum useful life of 50 years as per the statutory guidance.</p>	Management response required
AMBER	<p><b>NDR Overpayments Detailed Listing</b></p> <p>As part of our collection fund related debtors and creditors, we have requested detailed breakdown of the NNDR credits and overpayments figure. Management was unable to provide a detailed listing for us to sample from due to the limitations of the NNDR system, Academy.</p>	<p>Management should reach out to their external supplier to understand how to extract such report.</p>	Management response required

Key: **Significant** effect on financial statements **Limited** effect on financial statements **Low** improvement point / best practice



# Appendix I: Recommendations

Recommendations identified during the course of our audit (continued)

Assessment	Issue	Recommendation	Management response
<p style="text-align: center; color: white; font-weight: bold;">AMBER</p>	<p><b>Poor Recordkeeping of Asset Additions in the Fixed Asset Register (FAR)</b>            Two of our PPE disposals samples relate to derecognition of fully depreciated assets where the Council has not been able to provide us sufficient and appropriate evidence that those assets are no longer in use or exist as at year-end. From conversations with management, this is a result of poor recordkeeping of asset additions in the previous years where purchases of multiple assets are only included in a single line in the fixed asset register and there were no proper monitoring of those after recognition. Hence, the approach taken by management is to derecognise those at the end of their useful life. Proceeds from sale of assets that cannot be properly traced back to the fixed asset register is recognised in full as a gain in the CIES.</p>	<p>We recommend that management record asset additions as separate lines in the FAR to enable proper monitoring.</p>	<p>Management response required</p>

Key: **Significant** effect on financial statements **Limited** effect on financial statements **Low** improvement point / best practice



# Appendix I: Recommendations from IT audit

## Recommendations identified by our IT audit team.

We set out here the recommendations we have identified as part of our Technology Risk review.

Assessment	Issue	Recommendation	Management response
AMBER	<p>There is no testing of specific backups and restorations, for the purposes of disaster recovery (DR) testing or to validate the ability to restore from backups. DR testing is offered as an additional service by OneAdvanced and is not undertaken regularly unless part of the service. OneAdvanced confirmed verbally that smaller scale restoration testing has been completed in order to verify the process is operational, however this was not specific to W3R. Backup restoration is typically done at the request of clients following major system updates.</p> <p>OneAdvanced do not prepare assurance reports, such as a SOC 1 / SOC 2 report, to verify backup and recovery processes.</p> <p><u>Risk:</u></p> <p>There is an increased likelihood of data loss and/or delays in data recovery due to weaknesses in the backup and recovery processes.</p>	<p>Consider engaging OneAdvanced to undertake DR testing to validate the ability to restore from backups.</p>	<p>Backups of data are taken regularly. The entire virtual infrastructure is replicated at a second data centre (more than 30 miles away) each night for Disaster Recovery (DR) purposes. the backups are monitored daily to ensure they were successfully completed. Alerts are sent to our IT function if there are any errors</p>

Key: **Significant** effect on financial statements **Limited** effect on financial statements **Low** improvement point / best practice



# Appendix I: Recommendations from IT audit

Assessment	Issue	Recommendation	Management response
GREEN	<p>The password configuration for the eFinancials system is consistent with the password requirements within the ICT Acceptable Use Policy, however the password requirements within the ICT Acceptable Use Policy does not align with good practice. For example, the Policy does not state requirements for account lockout thresholds, account logout durations or the use of MFA. The system configuration does not align with best practice for password history and multi-factor authentication.</p> <p><u>Risk:</u></p> <p>Weak password management controls result in an increased likelihood of brute-force attack (i.e. a password cracking method used by cyber-criminals used to determine account credentials).</p>	<p>Update the ICT Acceptable Use Policy to ensure that password requirements align with good practice and amend password configuration for the eFinancials system in line with updates.</p>	<p>ICT Acceptable Use Policy updated.</p> <p>The password policy in Efin matches the policy for our AD passwords - this has been in place since May 2024.</p> <p>NB AD policy is based on best practice as recommended by NCSC, Nb we apply SSO / MFA wherever available / possible</p>
GREEN	<p>The ICT Problem and Incident Management Policy remains in draft form, dated November 2024. The draft Policy incorrectly refers to the ICT Acceptable Use Policy in the header, and also does not state the requirements for Policy maintenance, review and approval.</p> <p><u>Risk:</u></p> <p>The lack of policy is likely to drive an inconsistent approach to the design, implementation and/or operating effectiveness of the processes and controls.</p>	<p>Update the ICT Problem and Incident Management Policy to ensure that the correct title is in the header, and outline the requirements for maintenance, review, and approval.</p> <p>Present the Policy to the relevant oversight group for approval and communicate the final version to staff.</p>	<p>Reviewed December 2025. Version 2.0 is now the live version, Policy Update Schedule amended to reflect this.</p>

Key: **Significant** effect on financial statements **Limited** effect on financial statements **Low** improvement point / best practice



# Appendix I: Recommendations from IT audit

Assessment	Issue	Recommendation	Management response
GREEN	<p>The Council has in place a Security Incident Response Plan which sets out the requirements for annual testing and lessons learned activities. The organisation does not undertake regular testing of security incident response planning.</p> <p><u>Risk:</u></p> <p>There is a risk that the Security Incident Response Plan is ineffective due to lack of annual testing and lessons learned. This may result in inability to respond to real security incidents, and minimise damage and downtime.</p>	<p>The Security Incident Response Plan should be subject to regular testing to assess the effectiveness of response and recovery procedures. Tests should encompass formats such as desktop scenarios and simulations. Testing should be documented, with lessons learned activities performed and used to inform planning going forward.</p>	<p>The original CMT report on the BC exercise was in November 2024. A follow-up report went to CMT in March 2025.</p>
GREEN	<p>The organisation has mandatory training in place for employees which must be completed annually. Completion rates were low at 68.59%.</p> <p><u>Risk:</u></p> <p>There is a risk that staff are not informed of their responsibilities and expected practices in relation to cyber security due to unsatisfactory completion rates for mandatory cyber security training. This may result in staff not possessing the knowledge to recognise, manage and report cyber security threats and other security incidents.</p>	<p>The Council should review the compliance process for mandatory training, ensuring that there is a documented escalation procedure for failure to comply with mandatory training requirements. There should also be regular reporting of mandatory training completion rates to the CMT.</p>	<p>Completion rates are reported to the CMT.</p> <p>Re starters and leavers, the probation policy has a clause enforcing completion of mandatory training as a condition of probation being passed. The responsibility for signing off on the probation is with the line manager</p>

Key: **Significant** effect on financial statements **Limited** effect on financial statements **Low** improvement point / best practice



# Appendix I: Recommendations from IT audit

Assessment	Issue	Recommendation	Management response
GREEN	<p>The Council does not risk assess suppliers and third parties against Council-specific requirements. The South East Government Warning, Advisory and Reporting Point (SEGWARP) framework is leveraged for supplier health checks, however there is no further due-diligence to support assessment of suppliers against specific requirements for the Council.</p> <p><u>Risk:</u></p> <p>There is a risk of exposure to potential cyber security threats from suppliers and third parties due to lack of proactive risk assessments. This may result in disruption to the Council, as well as financial loss and reputational damage.</p>	<p>The Council should implement a process by which suppliers and third parties are subject to risk assessment both at initial procurement and throughout their contract. This assessment should be based on a pre-defined set of requirements set by the organisation to form a baseline maturity which third-parties must meet. Periodic reassessment of suppliers should be undertaken at contract renewal, in response to any significant changes, and using a risk-based approach which considers the criticality to the organisation.</p>	<p>Suppliers are vetted when they join the framework and there is no confirmed evidence to confirm compliance for the duration of the framework therefore this will be the responsibility of the Contracting Authority to check.</p> <p>Pre-award of the tender procurement completion, an ICT-related questionnaire must be completed for each vendor, and assessed by W3R.</p> <p>Additionally, our tender process includes assessment of tenderers' compliance, financial status, security posture etc. This includes DR &amp; BCP questions.</p> <p>Contract extension would be awarded on the prevailing conditions from the contract.</p>

Key: **Significant** effect on financial statements **Limited** effect on financial statements **Low** improvement point / best practice



# Appendix I: Recommendations from IT audit

Assessment	Issue	Recommendation	Management response
GREEN	<p>The Council has identified and documented cyber security related risks at an operational level. Cyber and digital risks are recorded within the corporate risk register, with information such as date raised, risk owner, risk rating and control measures.</p> <p>There is a weakness in the information recorded against each risk, with due dates not documented.</p> <p><u>Risk:</u></p> <p>There is a risk of unclear timelines and untimely action due to lack of deadlines in place for risks. This may result in poor accountability and risks escalating to become more severe.</p>	<p>Agree deadlines for risks, ensuring there is regular tracking and update until actions are complete.</p>	<p>Strategic Risk Register was updated in October 2025. The Register was approved by Policy &amp; Resources Committee on 01 Dec 2025.</p> <p>An ICT Security management team meets monthly to review a large number of reports from various systems, and an action log which is reviewed &amp; updated each month with timelines, and feeds in to the ICT Cyber Risk Register, which in turn is reviewed quarterly with actions, &amp; timelines.</p>

Key: **Significant** effect on financial statements **Limited** effect on financial statements **Low** improvement point / best practice



# Appendix I: Internal control recommendations

## Follow up of prior year recommendations

Assessment 2023/24	Issue	Recommendation	Auditor update 2024/25	Outcome
GREEN	<p><b>PPE reconciliation</b></p> <p>While reconciling the PPE note and Fixed Asset Register (FAR) to the valuer's report, we identified variances between the PPE note/FAR and the valuers report.</p>	<p>Management should ensure that they review and reconcile the figures as per the Fixed Asset Register to the valuer's report and the financial statements.</p>	<p>While we have noticed a slight improvement in 2024/25, we have still identified significant variances in our reconciliation between the PPE note, the FAR and the valuers' report.</p>	<p>Action in progress. Recommendation remains open</p>
GREEN	<p><b>Review of valuer's outputs</b></p> <p>While performing PPE walkthrough, we noted that there is no evidence of the review of the actual draft valuation report by management and property team.</p>	<p>Management should ensure that there are adequate processes in place to enable timely review of the valuation report.</p>	<p>While we have noticed a slight improvement in 2024/25, management can still improve against this recommendation.</p>	<p>Action in progress. Recommendation remains open</p>



# Appendix I: Internal control recommendations

Follow up of prior year recommendations raised by the IT audit team

Assessment 2023/24	Issue	Recommendation	Outcome
AMBER	<p>Shared accounts which have admin privileges and are not attributable to an individual with no secure storage are present.</p> <p>Access to systems relevant to financial reporting processes is not attributable to individual users, thus reducing the ability to monitor appropriate and/or inappropriate activities in the system.</p>	We recommend that the organisation should limit the use of shared accounts. Where shared accounts are required, their access should be limited to their purpose and have strict password controls in place.	Action completed. Recommendation closed.
GREEN	<p>The password configurations within the Finance system did not match the password policy.</p> <p>Weak password management controls result in an increased likelihood of brute-force attack (i.e. a password cracking method used by cyber-criminals used to determine account credentials).</p>	We recommend that the password configuration should updated be to be in line with the password policy of 12 characters and complexity enabled.	Action completed. Recommendation closed.
GREEN	As part of the IT general control and cyber security review performed, we were initially informed that no terms of reference exist for the Corporate Management Team and the IT Steering Group by personnel in IT. However, management have subsequently provided these and stated they had always been in place.	Management should ensure all members of the groups are aware of the terms of reference, objectives and purpose of each committee.	Action completed. Recommendation closed.



# Appendix I: Internal control recommendations

Follow up of prior year recommendations raised by the IT audit team

Assessment 2023/24	Issue	Recommendation	Outcome
GREEN	The Council do not have Information Asset Registers in place. The creation of the Information Security Risk Assessment that will provide a comprehensive register of Information Assets, has not yet been actioned.	A comprehensive asset register should be created for all Informational Assets, as expected. This should be completed by identifying information assets and documenting key areas such as asset name, source of data, description and classification, retention periods and security measures such as who has access and permissions. An Information Asset Owner should be assigned to each asset to monitor risks. The Information Asset Register should be regularly reviewed and updated.	Action completed. Recommendation closed.



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# Fees



# Appendix II: Fees

Our fees for the year ending 31 March 2025 are set out in the PSAA scale fees communication and are shown below and on the next page

Audit fees	Proposed fee £	Final fee £
<i>Scale fee – base fee for the audit of the Council (and Group’s) financial statements (as set out in the scale fees issued by PSAA)</i>		
<p><b>Core work:</b> Undertaking work on balances that have not been subject to audit for several years necessarily means the audit on the current year balances takes longer than would ordinarily be the case. Additional time from within the scale was therefore focused on this in line with our build back plan. Our scale fee work in 2024/25 was focused on recovery of year end balance sheet positions, journals, balance sheet testing and in-year reserves movements and analysis. Our findings from this work, including challenges encountered, are set out throughout this report. This fee also includes all work relating to value for money and IT general controls. Our Auditor’s Annual Report was issued in November 2025, contained 8 recommendations and covered a wide breadth of risk areas. Our ITGC work is reported in this document and comprises 7 recommendations.</p>	185,941	185,941
<p><b>In year quality and preparation issues:</b> Management has been engaged and supportive. The matters reported in this report are not a reflection of a lack of engagement from management nor a reflection of poor quality in management’s processes or preparation. Rather they are unavoidable implications arising from a position wherein the Council’s accounts have not been audited for several years.</p>		0
<i>Other fees</i>		
<p><b>IFRS16 Leases:</b> work needed to audit the new standard. PSAA have confirmed this work is not included in the above scale fee</p>	TBC	7,142
<p><b>Sub total</b></p>	TBC	193,083



# Appendix II: Fees

Our fees for the year ending 31 March 2025 are set out in the PSAA scale fees communication and are shown below and on the next page

Audit fees	Proposed fee £	Final fee £
<i>Disclaimer fees</i>		
<b>Disclaimer fees:</b> in year disclaimer planning and reporting. Additional work required to issue the disclaimer of opinion. This includes the extended reporting contained in this report and the audit plan, additional review and consultation requirements and additional file documentation requirements.	TBC	18,342
<i>Build back fees</i>		
<b>LARRIG06 qualitative risk assessment:</b> This includes all work to do on the LARRIG06 comprehensive build-back risk assessment, the identification of historic risk factors and the full consideration of the Council's complexity and control environment for all audit years back to 2021/21.	TBC	17,527
<b>LARRIG06 quantitative risk assessment:</b> Includes all work to date on MIRS movements, analysis and assessment over the disclaimed years, the identification of historic anomalies and an assessment of the position over the full disclaimed period.	TBC	13,433
<b>PPE build back work to date to the last clean opinion over 3 disclaimed years:</b> This includes all work over additions, disposals, reclassifications, other PPE movements and depreciation to date for each audit year back to 2020/21.	TBC	27,788
<b>Income strip build back work to date over the 3 disclaimed years:</b> This includes work to date tracing historic accounting transactions over the past three years of the income strip scheme back to 2020/21.	TBC	15,600
<b>Sub total</b>	<b>TBC</b>	<b>92,690</b>
<b>Sub-total carried forward from previous page</b>	<b>TBC</b>	<b>193,083</b>
<b>Total audit fees</b>	<b>TBC</b>	<b>285,773</b>



# Appendix II: Fees

## Analysis of build back fees

Component	Description	Fee for build back work	Fee for build back quality and preparation	Total fee for build back work
Opinion	Fee for work on opinion planning, undertaking and reporting	92,690	0	92,690
Value for money	Fee for work on VFM planning, undertaking and reporting	Included above	0	Included above
<b>Total</b>		<b>92,690</b>		<b>92,690</b>

## Total fees

Non audit fees for other services	Proposed fee £	Final fee £
Housing Benefit (HBAP) certification	28,000	TBC
<b>Total non audit fees</b>	<b>28,000</b>	<b>TBC</b>
Fees brought forward for the core audit and build back, plus disclaimer reporting costs (see previous page)	TBC	285,773
<b>Total fees charged</b>	<b>TBC</b>	<b>TBC</b>

The audit fees charged reconcile to the fees disclosed in the financial statements.

As per PSAA's Scale Fees Consultation, the scale fees did not include the new requirements of IFRS16 Leases. Additional Fees charged are subject to the fees variation process as outlined by the PSAA. MHCLG has announced additional funding for councils to meet the cost of work undertaken to issue disclaimed opinions and recover (build back) assurance over prior disclaimed periods with a view to returning to unmodified opinions at a future date.



