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AUDIT COMMITTEE

Date: Tuesday, 2 June 2026
Time: 6.30pm,
Location: Council Chamber
Contact: committees@stevenage.gov.uk

Members: Councillors: Forhad Chowdhury (Chair), Dermot Kehoe (Vice-Chair), Jeff Bullock, Leanne Brady, Coleen De Freitas, Sarah Mead, Liam Morrell Phillips, Graham Spencer and Peter Wilkins

AGENDA

PART 1

1. APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST

2. MINUTES OF PREVIOUS MEETING

To approve as a correct record the minutes of the meeting held on 24 March 2026
3 – 8

3. EXTERNAL AUDIT PLAN - AZETS

To consider the Azets External Audit plan.
9 – 56

4. SIAS ANNUAL ASSURANCE STATEMENT AND INTERNAL AUDIT REPORT 2025/26

To consider the Annual Assurance Statement and Internal Audit Annual Report 2025/26
57 – 90

5. 2025/26 ANNUAL GOVERNANCE STATEMENT AND LOCAL CODE OF CORPORATE GOVERNANCE

To advise Members of the Audit Committee on the content of the Council's Annual Governance Statement for 2025/26 and approve changes to the Council's Local Code of Corporate Governance.
91 – 134

6. ANNUAL REPORT OF THE AUDIT COMMITTEE

To consider the Audit Committee Annual Report for 2025/26 and note the updated TORs.
135 – 152

7. URGENT PART 1 BUSINESS

To consider any Part 1 business accepted by the Chair as urgent.

8. EXCLUSION OF PUBLIC AND PRESS

To consider the following motions –

1. That under Section 100(A) of the Local Government Act 1972, the press and public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as described in paragraphs 1 – 7 of Part 1 of Schedule 12A of the Act as amended by Local Government (Access to Information) (Variation) Order 2006.

2. That Members consider the reasons for the following reports being in Part II and determine whether or not maintaining the exemption from disclosure of the information contained therein outweighs the public interest in disclosure.

9. STRATEGIC RISK REGISTER

To note the latest Strategic Risk Register update for Stevenage Borough Council.

10. URGENT PART II BUSINESS

To consider any Part II business accepted by the Chair as urgent.

STEVENAGE BOROUGH COUNCIL

AUDIT COMMITTEE MINUTES

Date: Tuesday, 24 March 2026

Time: 6.30pm

Place: Council Chamber

Present: Councillors: Carolina Veres (Chair), Philip Bibby, Leanne Brady, Mason Humberstone, Dermot Kehoe and Tom Plater

Syed Uddin – Independent Co-opted Non-Voting Member

Start / End Start Time: 18:30
Time: End Time: 19:00

1 APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST

Apologies for absence were received from Councillors Lloyd Briscoe, Robert Boyle, Ceara Roopchand, and Tom Wren.

There were no declarations of interest.

2 MINUTES OF PREVIOUS MEETING - 18 FEBRUARY 2026

The minutes of the Audit Committee held on 18 February 2026 were approved and signed by the Chair.

3 SIAS PLAN 2026/27

The Committee received a report presenting the draft Internal Audit Work Programme for 2026–27. The report outlined the audit planning process, including consideration of internal audit standards, current topical requirements, horizon scanning, discussions with senior managers, and a risk assessment process used to inform the programme.

Members noted that the programme provided coverage across key areas, including financial systems and information technology, and set out the proposed resourcing arrangements. The report also included details of performance management, incorporating a suite of performance indicators reported to both the Committee and senior management.

Appendix A was noted as containing detailed information on each proposed audit, including scope, timing, and identified audit sponsors. A reserve list of audit work was also included to allow flexibility should planned work be cancelled or deferred.

It was highlighted that the programme reflected a business as usual approach for

2026–27 but remained flexible to accommodate changes in circumstances during the year. Members also noted Appendix D, which contained the Internal Audit Strategy and Service Plan, provided for background information and invited member comment.

During discussion, clarification was sought regarding ownership of the risk register. It was confirmed that while responsibility for compiling the register sat with a designated officer, individual risks were owned by relevant Council managers, with oversight provided by this Committee and previously by the Senior Leadership Team. Members were advised that the risk register was included within the Part 2 agenda.

In response to a query, it was confirmed that previous audit findings had informed the development of the work programme. The planning process considered the audit universe of auditable areas, with coverage typically on a three to five year cycle, adjusted according to risk level and previous audit outcomes.

It was RESOLVED that the report be noted.

4 **SAFS PLAN 2026/27**

The Committee received an overview of the proposed SAFS 2026/27 plan, including key performance indicators (KPIs), within their committee papers, accompanied by a covering report. A brief overview was provided, and questions were invited. The report had outlined how the plan aligned with the national fraud context, the allocation of Shared Anti-Fraud Service (SAFS) resources, and the agreed KPIs and service standards. It had also referenced a range of external reports and legislation. The full plan was included at Appendix A, with KPIs at Appendix B.

In response to a question regarding staff awareness of fraud, the officer stated that awareness was both subjective and objective. It was noted that staff were the Council's strongest asset but could also be vulnerable if unaware of fraud risks. The increasing sophistication of fraud, particularly through accessible artificial intelligence tools, meant that fraudulent communications were now more convincing and harder to detect. Training was therefore considered essential.

The officer advised that awareness training was delivered across all partners, including bespoke sessions for services and wider sessions for all staff. Service leads were expected to ensure staff attendance. While overall awareness among officers was described as high, some gaps remained due to varying levels of experience and engagement. The evolving nature of fraud was emphasised, and members were encouraged to promote attendance at future training sessions, including those provided for councillors.

In response to a further question regarding proactive measures, the officer explained that early intervention was key. Officers actively reviewed referrals from staff where fraud was suspected, enabling timely action and information sharing. Fraud alerts were regularly circulated to partners, highlighting emerging risks identified across the UK; over 20 such alerts had been issued during the year.

Additional proactive work included post-investigation reviews, where risks were identified and reported to senior officers, with recommendations made to improve systems, processes, and policies. Fraud risk assessments were also undertaken across partner organisations, although these were resource-intensive and limited to two or three per year. Findings from this work were shared across the partnership through board meetings and circulated to relevant officers. The officer concluded that while reactive work remained necessary, significant effort was made to adopt a proactive approach to fraud prevention.

It was RESOLVED that the report be noted.

5 **SAFS ANTI-FRAUD PROGRESS REPORT**

The Committee received a report covering the period from April to December 2025. The report was noted as a summary of relevant updates.

Prevention and Policy Work

Members noted that a review of fraud and associated policies, supported by SAFS, had been ongoing in liaison with the Assistant Director of Finance, with completion anticipated by the end of the financial year.

It was reported that four fraud alerts relating to ID document and email spoofing risks had been circulated since the last update, bringing the total number of fraud threat reports issued during the year to 25. These had been shared with all relevant partners.

The Committee noted that training sessions had been delivered across all levels of the Council up to December 2025. These covered fraud prevention and awareness, ID documents, recruitment fraud, and updates on the Economic Crime and Corporate Transparency Act (ECCTA), including the introduction of the failure to prevent fraud offence in September 2025.

An ECCTA briefing had been provided to senior management, and discussions had taken place regarding compliance and associated risks. In December 2025, a gap analysis and action plan had been implemented alongside a review of the Council's Anti-Fraud Policy.

Investigations and Internal Control Improvements

Members noted that three executive reports had been issued to senior management and Internal Audit following investigations. Two related to procurement processes and one to declarations of interest. These reports identified system weaknesses and included recommendations to mitigate ongoing fraud risks.

Reactive Work and Investigations

The Committee was informed that 128 referrals had been received during the period, covering areas including housing, council tax, procurement, and blue badge misuse. Of these, 56 referrals had been made by Council officers.

As of December 2025, 37 cases remained under investigation and 17 were at the referral stage, with an estimated total loss of £840,000.

A total of 19 investigations had been closed during the year, with fraud identified in 13 cases.

Council tax discount reviews had identified additional revenue of £48,000. Joint work with the Department for Work and Pensions (DWP) had identified £29,000 in losses

relating to national benefit claims, with recovery pending, and several cases had been referred for consideration of criminal prosecution. Work with Housing Services had resulted in the recovery of three properties that had been misused, which were returned to housing stock and re-let to applicants on the waiting list.

Proactive Work

Members noted that all Right to Buy applications had been subject to a 100% review, with 27 completed during the period. In addition, 38 succession applications had been reviewed to ensure no fraud or money laundering concerns.

At the end of December, three Right to Buy applications required further investigation and one application had been withdrawn, resulting in a saving of £102,000 in discount value.

The National Fraud Initiative (NFI) exercise had concluded. Although some areas received less focus than planned, two cases of fraud were identified, resulting in savings of £6,000.

Following this, work had commenced on the Hertfordshire Fraud Hub (NFI Lite), with 534 matches received and 59 reviewed to date; no fraud or error had been identified.

A business rates fraud framework had been applied, with 16 reviews completed and three businesses having small business rate relief removed.

A council tax review framework reported the removal of 724 incorrectly claimed single-person discounts in Quarter 2, generating an additional £306,000 in council tax for the financial year.

Performance Monitoring

The Committee noted progress against key performance indicators (KPIs), which were reported as met, on target, or partially met, reflecting the fact that the financial year had not yet concluded.

6 URGENT PART 1 BUSINESS

There was no Urgent Part 1 Business.

7 EXCLUSION OF PUBLIC AND PRESS

It was **RESOLVED**:

1. That, under Section 100(A) of the Local Government Act 1972, the press and public be excluded from the meeting for the following items of business on the grounds that they involved the likely disclosure of exempt information as described in paragraphs 1 to 7 of Part 1 of Schedule 12A of the Act, as amended by SI 2006 No. 88.

2. That having considered the reasons for the following item being in Part II, it be determined that maintaining the exemption from disclosure of the information contained therein outweighed the public interest in disclosure.

8 Q3 CORPORATE RISK REPORT

The Committee considered a Part II report in respect of the Quarter 3 Corporate

Risk Report.

It was **RESOLVED** that the report be noted.

9 **URGENT PART II BUSINESS**

There was no Urgent Part II business.

CHAIR

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Stevenage Borough Council

External Audit Plan
Year ended 31 March 2026

April 2026

Your key team members

Paul Grady
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Martha Charima
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This report has been prepared for the sole use of those charged with governance, should not be quoted in whole or in part without our prior written consent, and should not be relied upon by third parties. No responsibility is assumed by Azets Audit Services to any third parties. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting, on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.



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Adding value through the audit

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

Management responsibility

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.

Introduction and audit scope

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Introduction and audit scope

This audit plan highlights the key elements of our proposed audit strategy and provides an overview of the planned scope and timing of the statutory external audit of Stevenage Borough Council ('the Council') and its Group for the year ended 31 March 2026 for those charged with governance (the Audit Committee)

Scope of our audit

The Code of Audit Practice 2024 ('the Code') summarises the responsibilities of auditors and what is expected from the audited body. The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for:

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- ▶ **Financial statements:** forming and expressing an opinion on the Councils and Group's financial statements, which have been prepared by management with the oversight of those charged with governance; and
- ▶ **Value for money:** considering whether there are sufficient arrangements in place at the Council for securing economy, efficiency and effectiveness in its use of resources (our value for money work).

Value for money relates to assessing whether arrangements are in place to use resources efficiently in order to maximise the outcomes that can be achieved as defined by the Code of Audit Practice.

We will conduct our audit in accordance with International Standards on Auditing (ISAs) (UK), the Local Audit and Accountability Act 2014 (the 'Act') and the National Audit Office Code of Audit Practice 2024. The Code of Audit Practice sets out what local auditors of relevant local public bodies are required to do to fulfil their statutory responsibilities under the Act.

The audit of the financial statements does not relieve management or the Audit Committee of their responsibilities. It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We consider how the Council is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Council's business and is risk-based.

We will conduct our audit in accordance with International Standards on Auditing (ISAs) (UK), the Local Audit and Accountability Act 2014 (the 'Act') and the National Audit Office Code of Audit Practice 2024. The Code of Audit Practice sets out what local auditors of relevant local public bodies are required to do to fulfil their statutory responsibilities under the Act.

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



Introduction and audit scope

Our respective responsibilities

Management responsibilities

Your responsibilities include:

- ▶ Preparing financial statements which give a true and fair view, in accordance with the applicable financial reporting framework and relevant legislation;
- ▶ Preparing and publishing, along with the financial statements, an annual governance statement and narrative report;
- ▶ Maintaining proper accounting records and preparing working papers to an acceptable professional standard that support your financial statements and related disclosures;
- ▶ Establishing and maintaining a sound system of internal control;
- ▶ Maintaining standards of conduct for the prevention and detection of fraud and other irregularities;
- ▶ Maintaining strong corporate governance arrangements and a financial position that is soundly based;
- ▶ Establishing and maintaining an effective internal audit function;
- ▶ Ensuring the proper financial stewardship of public funds, complying with relevant legislation and establishing effective arrangements for governance, propriety and regularity.

Auditor responsibilities

Our primary responsibility is to form and express an independent opinion on the Council's and Group's financial statements, stating whether they provide a true and fair view and have been prepared properly in accordance with applicable law and the CIPFA Code of Practice on Local Authority Accounting in the UK (the 'CIPFA Code'). We are also required to:

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

We will issue our Audit Completion Report and an Auditors Annual Report to the Audit Committee setting out the findings from our work. The audit does not relieve management or the Audit Committee of your responsibilities, including those in relation to the preparation of the financial statements.

Statutory powers

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

- ▶ Reporting matters in the public interest;
- ▶ Making written recommendations to the Council;
- ▶ Making an application to the court for a declaration that an item of account is contrary to law;
- ▶ Issuing an advisory notice;
- ▶ Making an application for judicial review; and
- ▶ Giving electors the opportunity to raise questions about your financial statements and considering and deciding upon any objections received in relation to the financial statements.



Audit approach

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Audit approach

General approach

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

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

- ▶ Perform risk assessment procedures including updating our understanding of the Council and Group, including its environment, the financial reporting framework and its system of internal control;
- ▶ Review the design and implementation of key internal controls;
- ▶ Identify and assess the risks of material misstatement, whether due to fraud or error, at the financial statement level and the assertion level for classes of transaction, account balances and disclosures;
- ▶ Design and perform audit procedures responsive to those risks, to obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion; and
- ▶ Exercise professional judgment and maintain professional scepticism throughout the audit recognising that circumstances may exist that cause the financial statements to be materially misstated.

We would ordinarily undertake a variety of audit procedures designed to provide us with sufficient evidence to give us reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. However, as your prior years' financial statements have been disclaimed, we will this year undertake specific procedures to build back assurance in accordance with LARRIG06 and in line with our overarching build back plan.

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

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

Accounting systems and internal controls

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



Audit approach

Other key areas

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Going concern: management responsibility

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

Related party transactions

ISA 550 requires that the audit process starts with the audited body providing a list of related parties to the auditor, including any entities under common control. During our initial audit planning you have informed us of the individuals and entities that you consider to be related parties. Please advise us of any changes as and when they arise.

Going concern: auditor responsibility

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

In assessing going concern, we will consider the guidance published in the CIPFA/LASAAC Code of Practice 2025/26 (CIPFA Code) and Practice Note 10 (PN10), which focuses on the anticipated future provision of services in the public sector rather than the future existence of the entity itself.

Use of experts

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

- The audit of actuarial assumptions used in the calculation of the defined benefit pension liability/asset;

Additional procedures required by the National Audit Office

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

The NAO audit team for the WGA request us to undertake specific audit procedures in order to provide them with additional assurance over the amounts recorded in the Council's WGA schedules. The extent of these procedures will depend on whether the Council has been selected by the NAO as a sampled component for 2025/26. As at the date of this report, the draft instructions have not yet been issued by the NAO and the NAO has not yet confirmed which entities will be sampled components. We will comply with the instructions and to report to the NAO in accordance with their requirements once instructions have been issued.



Audit timeline

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Audit Timeline

The following timeline indicates the key milestones of the audit.



Planning	Interim	Period end: 31 st March	Final accounts	Audit Committee	Completion	Sign off
<ul style="list-style-type: none"> ▶ Identify changes in your business environment ▶ Determine materiality ▶ Scope the audit ▶ Risk assessment ▶ Planning meetings with management ▶ Planning requirements checklist to management ▶ Issue audit plan 	<ul style="list-style-type: none"> ▶ Document control design and effectiveness ▶ Discuss audit plan with audit committee ▶ Early testing 	<ul style="list-style-type: none"> ▶ Management to produce accounts for audit by statutory deadline of 30 June 2026 	<ul style="list-style-type: none"> ▶ Regular updates with management ▶ Completion of all audit testing ▶ Review of Narrative Report and Annual Governance Statement ▶ Undertake procedures on significant risk areas ▶ Report observations on other risk areas, management judgements ▶ Draft Audit Completion Report ▶ Share with management for comment 	<ul style="list-style-type: none"> ▶ Discuss audit findings with audit committee ▶ Issue draft Audit Completion (ISA260) report 	<ul style="list-style-type: none"> ▶ Subsequent events procedures ▶ Management representation letter ▶ Receive IAS19 assurance letter from pension fund auditor ▶ Sign financial statements ▶ Issue Auditor's Annual Report 	<ul style="list-style-type: none"> ▶ Sign audit report opinion ▶ Issue delayed audit certificate



Materiality

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Materiality

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

Judgments about materiality are made in the light of surrounding circumstances and are affected by our perception of the financial information needs of users of the financial statements, and by the size or nature of a misstatement, or a combination of both.

Whilst our audit procedures are designed to identify misstatements which are material to our audit opinion, we also report to those charged with governance and management any uncorrected misstatements of lower value errors to the extent that our audit identifies these.

Under ISA (UK) 260 we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA (UK) 260 defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

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An omission or misstatement is regarded as material if it would reasonably influence the users of the financial statements. The assessment of what is material is a matter of professional judgement and is affected by our assessment of the risk profile of the Council and the needs of the users. When planning, we make professional judgements about the size of misstatements which we consider to be material, based on our knowledge of the Council and Group, considering factors such as financial stability, expectations of readers and stakeholders, sector developments and financial reporting requirements. In determining materiality, we consider the level of misstatement that could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Our determination of materiality:

- ▶ Informs the scope of our audit and audit procedures
- ▶ Informs the sample sizes required for substantive testing
- ▶ Informs our consideration in evaluation the effect of actual and projected misstatements in the financial statements

Materiality is revised as our audit progresses, should we become aware of any information that would have caused us to determine a different amount had we known about it during our planning.

We also consider whether any specific items of account require a separate, lower materiality. We have determined that no specific materiality levels needed to be set for this audit.



Materiality

The table below highlights the levels of materiality determined at the planning stage of the audit

	Group £000	Council £000	Explanation
Overall materiality for the financial statements	2,200	2,000	This is 2% (1.9% for Council) of gross revenue expenditure based on the prior year audited financial statements. This is a common measure for calculating materiality for councils as the primary interest of users of the Council's financial statements is in the cost of providing services, how the Council manages its spending and where the Council has expended its income during the year.
Performance materiality	1,430	1,300	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	110	100	This is set at 5% of the overall materiality calculation. Individual errors above this threshold are communicated to those charged with governance.

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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.



Significant and other risks of material misstatement



Significant risks of material misstatement

Significant risks are risks that require special audit consideration

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 proposed is set out on the subsequent pages.

Significant risk	Financial Statement / Assertion Level Risk	Fraud risk?	Approach to controls	Inherent risk of material misstatement
Management override of controls	Financial Statement Level	Yes	Assess design & implementation	Very High
Prior year opinion on the financial statements	Financial Statement Level	No	N/A	Very High
Income Strip	Financial Statement Level	No	Assess design & implementation	High
Presumption of fraud in revenue recognition	Assertion Level	Rebutted	Process documentation only	Low
Presumption of fraud in expenditure recognition	Assertion level	Rebutted	Process documentation only	Low
Valuation of council dwellings	Assertion Level	No	Assess design & implementation	High
Valuation of land and buildings	Assertion Level	No	Assess design & implementation	High
Valuation of investment properties	Assertion Level	No	Assess design & implementation	High
Valuation of the defined benefit pension fund net liability / asset (IAS19)	Assertion Level	No	Assess design & implementation	High

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Significant risks of material misstatement

Significant risks at the financial statement level

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

Significant risk	Audit approach
<p>Management override of controls (Council and Group)</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>Risk of material misstatement: Very high</p>	<p>Procedures we will perform to mitigate risks of material misstatement in this area will include:</p> <ul style="list-style-type: none"> • Documenting our understanding of the journals posting process and evaluating the design effectiveness and implementation of management controls over journals; • Analysing the journals listing and determining the criteria for selecting high risk and/or unusual journals; • Testing high risk and/or unusual journals posted during the year and after the draft accounts stage back to supporting documentation for appropriateness, corroboration and to ensure approval has been undertaken in line with the Council's and Group's journals policy; • Gaining an understanding of the key accounting estimates and critical judgements made by management. We will also challenge assumptions and consider for reasonableness and indicators of bias which could result in material misstatement due to fraud; and • Evaluating the rationale for any changes in accounting policies, estimate or significant unusual transactions.

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Significant risks of material misstatement

Significant risk	Audit approach
<p>Prior year opinion on the financial statements (Council and Group)</p> <p>As a result of the backstop implemented on 27 February 2026, a disclaimer audit opinion was provided on the Council and Group’s 2024/25 financial statements. Disclaimed audit opinions have also been provided on the Council’s accounts for the 2021/22, 2022/23 and 2023/24 financial years.</p> <p>As a result of prior year disclaimed audit opinion:</p> <ul style="list-style-type: none"> • 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 building, council dwelling and investment property valuations, amongst others); and • 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 or transactions which came into effect during the qualified or disclaimed period/s. <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>Inherent risk of material misstatement:</p> <ul style="list-style-type: none"> • Prior year opinion on the financial statements: Very high 	<p>Procedures we will perform to mitigate risks of material misstatement in this area will include:</p> <ul style="list-style-type: none"> • Considering the findings and outcomes of prior year audits and their impact on the 2025/26 audit; • Considering the impact on our audit of qualified or disclaimed audit opinions, particularly regarding opening balances and ‘unaudited’ transactions and management judgements made in the previous years which continue into 2025/26; and • Considering the impact of any changes in Code requirements for financial reporting in previous and current audit years.



Significant risks of material misstatement

Significant risk	Audit approach
<p>Income Strip (Council and Group)</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 IFRS 16 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 significant risk at the financial statements level.</p> <p>Inherent risk of material misstatement: Very high</p>	<p>Procedures we will perform to mitigate risks of material misstatement in this area will include:</p> <ul style="list-style-type: none"> • Reviewing management’s accounting treatment for this transaction, including revenue flows in year and the value of long and short-term assets and liabilities associated with the scheme; • Assessing management’s accounting treatment against the requirements of the CIPFA Code and International Financial Reporting Standards; and • Assessing management’s judgement on the impact of IFRS16 on the accounting for income strip transactions.



Significant risks of material misstatement

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

The following tables summarise significant risks of material misstatement at the assertion level for classes of transaction, account balances and disclosures

Significant risk	Audit approach
<p>Fraud in revenue recognition (Council and Group)</p> <p>Material misstatement due to fraudulent financial reporting relating to revenue recognition is a rebuttable presumed risk in ISA (UK) 240.</p> <p>Having considered the nature of the revenue streams at the Council, we consider that the risk of fraud in revenue recognition can be rebutted due to the following:</p> <ul style="list-style-type: none"> • There is little incentive to manipulate revenue recognition; • Opportunities to manipulate revenue recognition are very limited; and • The culture and ethical frameworks of local authorities mean that all forms of fraud are seen as unacceptable. <p>Therefore, we do not consider this to be a significant risk for the Council and Group</p> <p>Inherent risk of material misstatement:</p> <ul style="list-style-type: none"> • Revenue recognition (Occurrence, Accuracy): Low • Debtors (Existence, Valuation): Low 	<p>We do not consider this to be a significant risk for the Council and Group and standard audit procedures will be carried out. We will keep this rebuttal under review throughout the audit to ensure this judgement remains appropriate. Procedures will include:</p> <ul style="list-style-type: none"> • Documenting our understanding of the Council’s systems for income to identify significant classes of transactions, account balances and disclosures with a risk of material misstatement in the financial statements; • Evaluating the Council’s accounting policies for recognition of income and compliance with the CIPFA Code; and • Performing substantive testing of income and the associated receivables using tests of detail by ensuring they can be traced to appropriate supporting evidence.



Significant risks of material misstatement

Significant risk	Audit approach
<p>Fraud in expenditure recognition (Council and Group)</p> <p>Due to the presumption that there are risks of fraud in expenditure recognition, we are required to evaluate which types of expenditure, expenditure transactions or assertions give rise to such risks.</p> <p>We have considered Practice Note 10, which comments that for certain public bodies, the risk of manipulating expenditure could exceed the risk of manipulating revenue. We have therefore considered the risk of fraud in expenditure at the Council for all expenditure streams and concluded that there is not a significant risk. This is due to the low fraud risk in the nature of the underlying nature of the transactions, the high predictability of certain expenditure streams, such as payroll or interest, or the immaterial nature of the expenditure streams both individually and collectively.</p> <p>Our consideration of expenditure streams also included capital expenditure and similarly concluded that there is not a significant risk. Capital expenditure transactions are likely to be larger and subject to more scrutiny, reducing the risk of improper recognition.</p> <p>Inherent risk of material misstatement:</p> <ul style="list-style-type: none"> • Expenditure recognition (Completeness): Low • Creditors (Existence, Valuation): Low 	<p>We do not consider this to be a significant risk for the Council and Group and standard audit procedures will be carried out. We will keep this rebuttal under review throughout the audit to ensure this judgement remains appropriate. Procedures will include:</p> <ul style="list-style-type: none"> • 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; • Verifying that the operating expenses included within the financial statements are complete by substantively testing post year-end invoices received and cash payments made; • Evaluating the Council’s accounting policies for recognition of expenditure and compliance with the CIPFA Code; • Performing substantive testing of expenditure and the associated payables using tests of detail by ensuring they can be traced to appropriate supporting evidence; and • Performing substantive testing of year-end accruals using tests of detail by ensuring they can be traced to appropriate supporting evidence.



Significant risks of material misstatement

Significant risk	Audit approach
<p>Valuation of land and buildings (key accounting estimate) (Council and Group)</p> <p>Revaluation of operational land and buildings should be performed in line with the revised revaluation requirements for 2025/26 onwards set out in the CIPFA Code. The Council will value assets that can be indexed once every five years, using indexing in between. The 2024/25 financial year was Year 1 of the first five-year valuation period. Management engaged the services of a qualified valuer, who is a Regulated Member of the Royal Institute of Chartered Surveyors (RICS) to undertake the valuation as of 31 March 2026.</p> <p>The valuations and index uplifts 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. 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 operational land and buildings as a significant risk.</p> <p>We will further pinpoint this risk to specific assets, or asset types, on receipt of the draft financial statements and the year-end updated asset valuations, to those assets where the valuation movement falls outside of our expectations, there are significant changes to any of the key assumptions or the year-end valuation is considered material.</p> <p>Inherent risk of material misstatement:</p> <ul style="list-style-type: none"> Land and Buildings (Valuation): High 	<p>Procedures we will perform to mitigate risks of material misstatement in this area will include:</p> <ul style="list-style-type: none"> Evaluating management processes, controls and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work; Evaluating the competence, capabilities and objectivity of the valuation expert; Considering the basis on which the valuations are carried out and challenging the key assumptions applied; Evaluating the reasonableness of the valuation movements for assets revalued during the year, with reference to market data; For unusual or unexpected valuation movements, testing the information used by the valuer to ensure it is complete and consistent with our understanding; 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 Evaluating the assumptions made by management for any assets not revalued during the year and how management are satisfied that these are not materially misstated; and Engaging our own valuations expert, where necessary, to assess any judgemental assumptions used that underpin the final valuations.



Significant risks of material misstatement

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Significant risk	Audit approach
<p>Valuation of council dwellings (key accounting estimate) (Council and group)</p> <p>Revaluation of operational land and buildings should be performed with sufficient regularity so that carrying amounts are not materially misstated. The Council’s HRA properties are revalued annually to ensure that the carrying value is not materially different from the fair value. Council dwellings are valued using the beacon method, which aggregates the vacant possession value of each unit of housing stock based on the value of a beacon or sample property. A discount factor is applied to reflect the lower rent yield from social housing compared to market rates. Management engaged 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 2026.</p> <p>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. 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 council dwellings as a significant risk.</p> <p>We will further pinpoint this risk to specific assets, or asset types, on receipt of the draft financial statements and the year-end updated asset valuations, to those assets where the valuation movement falls outside of our expectations, there are significant changes to any of the key assumptions or the year-end valuation is considered material.</p> <p>Inherent risk of material misstatement:</p> <ul style="list-style-type: none"> Land and Buildings (Valuation): High 	<p>Procedures we will perform to mitigate risks of material misstatement in this area will include:</p> <ul style="list-style-type: none"> Evaluating management processes, controls and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work; Evaluating the competence, capabilities and objectivity of the valuation expert; Considering the basis on which the valuations are carried out and challenging the key assumptions applied; Evaluating the reasonableness of the valuation movements for assets revalued during the year, with reference to market data; For unusual or unexpected valuation movements, testing the information used by the valuer to ensure it is complete and consistent with our understanding; Testing a sample of Beacon properties in respect of council dwellings, to consider whether their valuation assumptions are appropriate and representative of other Beacon properties within the Beacon group. 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; 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; and Engaging our own valuations expert, where necessary, to assess any judgemental assumptions used that underpin the final valuations.



Significant risks of material misstatement

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Significant risk	Audit approach
<p>Valuation of investment properties (key accounting estimate) (Council and Group)</p> <p>The Council undertakes a full revaluation of its investment properties annually, to ensure that the carrying value is not materially different from the fair value. Management engaged 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 2026.</p> <p>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. 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 investment properties as a significant risk.</p> <p>We will further pinpoint this risk to specific assets, or asset types, on receipt of the draft financial statements and the year-end updated asset valuations, to those assets where the valuation movement falls outside of our expectations, there are significant changes to any of the key assumptions or the year-end valuation is considered material.</p> <p>Inherent risk of material misstatement:</p> <ul style="list-style-type: none"> Investment properties (Valuation): High 	<p>Procedures we will perform to mitigate risks of material misstatement in this area will include:</p> <ul style="list-style-type: none"> Evaluating management processes, controls and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work; Evaluating the competence, capabilities and objectivity of the valuation expert; Considering the basis on which the valuations are carried out and challenging the key assumptions applied; Evaluating the reasonableness of the valuation movements for assets revalued during the year, with reference to market data; For unusual or unexpected valuation movements, testing the information used by the valuer to ensure it is complete and consistent with our understanding; 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 Engaging our own valuations expert, where necessary, to assess any judgemental assumptions used that underpin the final valuations.



Significant risks of material misstatement

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Significant risk	Audit approach
<p>Valuation of the defined benefit pension net liability / asset – IAS19 (key accounting estimate) (Council and Group)</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions. An actuarial estimate of the net defined benefit 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 (March 2025) 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 (where relevant). 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 gross asset and liability 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>Inherent risk of material misstatement:</p> <ul style="list-style-type: none"> • Pension fund net liability / asset (Valuation): High 	<p>Procedures we will perform to mitigate risks of material misstatement in this area will include:</p> <ul style="list-style-type: none"> • Evaluating managements processes for the calculation of the estimate, the instructions issued to management’s expert (the actuary) and the scope of their work; • Evaluating the competence, capabilities and objectivity of the actuary; • 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; • Evaluating the methods, assumptions and source data used by the actuary in their valuations, with the support of an auditors’ expert; • Testing the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary. • If the pension fund is in surplus, ensuring that any asset recorded in the financial statements, and any additional liabilities for secondary contributions have been accounted for correctly in line with the requirements of IFRIC 14; • Obtaining assurances from the pension fund auditor as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements; and • Ensuring pension valuation movements for the year and related disclosures have been correctly reflected in the financial statements.



Other risks

Other risks

This section summarises other identified risks which, although not considered to be significant, require specific consideration during the audit.

Other risk	Audit approach
<p>Impact on going concern of the performance of the income strip (Council and Group)</p> <p>We have reviewed the most recent set of audited accounts for Queensway LLP and noted ongoing losses reported by the subsidiary (£513k in 2024/25, £710k in 2023/24). As noted, the partnership also has reported a negative balance sheet position of £5,405k (24/25). These ongoing losses and the net liability position of the company indicate financial strain. If the LLP continues to make losses and is not generating sufficient income in the medium to longer term to cover the lease payments to the Council, this could create a mismatch between the Council's liabilities to Aviva and its income from the LLP. This could in turn negatively impact the Council's overall financial position.</p>	<p>Procedures we will perform to mitigate risks of material misstatement in this area will include:</p> <ul style="list-style-type: none">• Reviewing cashflow forecasts, ongoing performance of the income strip and the impact on the Council of continued underperformance; and• Obtaining and reviewing management's going concern assessment.

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Other material transactions and balances

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



Group audit scope and risk assessment

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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.

Risks at the component level

The risks identified at the Council are set out in this external audit plan. There are no additional risks identified in any of the other components 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 planned audit approach in respect of each component.



Group audit

Component	Risk of material misstatement to the Group?	Scope	Planned audit approach	Risks identified	To be carried out by
Stevenage Borough Council	Yes	Full scope	Full scope statutory audit performed as set out in this report	As set out in section: "Significant and other risks of material misstatement"	Azets
Queensway Properties (Stevenage) LLP	Yes	Specific scope	Specific procedures to be performed by group auditor relating to income, tangible assets, cash and cash equivalents, interest payable (including other interest), and long-term creditors and borrowings	Specific procedures to be performed by group auditor relating to income, tangible assets, cash and cash equivalents, interest payable (including other interest), and long-term creditors and borrowings	Azets
Marshgate Plc	Yes	Specific scope	Specific procedures to be performed by group auditor relating to stock, debtors, cash and cash equivalents and long-term loans.	The principal risks relate to the existence and valuation of stock, the recoverability and completeness of debtors, the existence and accuracy of cash and cash equivalents, and the completeness, classification, and disclosure of long-term loans	Azets
Swingate Developments LLP	No	None	Procedures to ensure accurate treatment of the council's share in the joint venture and specific procedures on individually material balances at the component level.	Inappropriate treatment of council's share in the joint venture	N/A

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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 Where risk of material misstatement to the Group is not material



IT Audit strategy

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IT Audit strategy

In accordance with ISA (UK) 315, we are required to obtain an understanding of the IT environment related to all key business processes, identify all risks from the use of IT related to those business process controls judged relevant to our audit and assess the relevant IT general controls (ITGCs) in place to mitigate them.

Our audit will include completing an assessment of the design and implementation of ITGCs related to security management; technology acquisition, development and maintenance; and technology infrastructure.

The following IT applications are in scope for IT controls assessment based on the planned financial statement audit approach, we will perform the indicated level of assessment:

IT Application	Audit area	Planned level of IT audit assessment
Centros (Integra)	Financial reporting, expenditure, payables, income, receivables, journals	ITGC assessment (design and implementation effectiveness only)
Active Directory (network access and authentication)	N/A	ITGC assessment (design and implementation effectiveness only)

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Building back assurance

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Building back assurance

This section sets out the work we plan to undertake in 2025/26 to build back assurance from disclaimed years of audit. Our work is planned in accordance with the statutory guidance set out in Local Audit Reset and Recovery Implementation Guidance (LARRIG) 01 to 06

On 30 September 2024, Statutory Instrument (2024) No. 907 - “The Accounts and Audit (Amendment) Regulations 2024” came into force. This legislation imposed annual statutory backstop dates up to and including the 2027/28 year of account for the publication by the Council of its audited financial statements. For 2025/26, the statutory backstop date is 31 January 2027.

The Code of Audit Practice 2024 specifies that auditors are required to issue their auditor’s report before these dates, even if planned audit procedures are not fully complete, so that local government bodies can comply with the statutory reporting deadline. Where audit work is not complete, this will give rise to a disclaimer of opinion. This means the auditor has not been able to form an opinion on the financial statements.

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Disclaimed opinions were issued by the predecessor auditor for 2021/22 and 2022/23 and by Azets in 2023/24 and 2024/25. Following the publication of LARRIGs 01 to 06 we have developed an overarching strategy for building back assurance for the Council, with the aim of recovering assurance by 31 March 2028. This is subject to:

- ▶ Management implementing in full all recommendations in respect of the financial statements raised in our 2024/25 audit completion report;
- ▶ No adverse or unexpected transactions, errors or misstatements being identified in the current or previous periods as part of our work and minimal retrospective changes to previously published financial statements;
- ▶ Robust and effective control environments being in place and operating throughout the disclaimed period;
- ▶ Full availability of supporting records, information and evidence in the current and previous periods;
- ▶ Sufficient capacity within the finance team to facilitate the current year audit and additional work required as part of building back assurance;
- ▶ Current and previous years’ financial statements being of good quality, including all notes, the Narrative Report and the Annual Governance Statement;
- ▶ The availability of good quality working papers being readily available to support previous years of account;
- ▶ The provision of agreed data reports as required, fully reconciled to the values in the accounts, to facilitate our selection of samples for testing in current and previous years;
- ▶ Ensuring staff are available during the period of the audit for current and previous years’ financial statements;
- ▶ Prompt and sufficient responses to audit queries within 3 days to minimise delays.



Building back assurance

Following the release of LARRIG06 in July 2025 our focus in 2024/25 was commencing the significant and comprehensive risk assessment required under the statutory guidance, analysing reserves movements across the disclaimed period, commencing the substantive testing to build back property, plant and equipment movements across the disclaimed period, reviewing in detail the accounting for complex transactions, including the income strip investment transactions, and reviewing the capital financing requirement and minimum revenue provision calculations across the disclaimed period.

For 2025/26, our focus will be on in-year transactions, obtaining full closing balances assurance as at 31 March 2026 and continuing our programme of build-back work over the disclaimed period.

Component	Activity	Work planned
Planning	<p>Qualitative Risk Assessment (LARRIG 06)</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. In the prior year we commenced our 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"> • Whether the Council has a history of timely production of the financial statements • The number of years for which disclaimed opinions have been issued • The complexity and volume of movement in reserves over the disclaimed period • The strength of the control environment in place over the period of disclaimed opinions • Changes in key personnel, financial reporting systems or key processing activities during the disclaimed period • Previous reporting of significant deficiencies in control, significant weaknesses in arrangements to secure VFM or material or other misstatements • The level of reserves in place over the disclaimed period • Issues reported by Internal Audit and in the Annual Governance Statements 	<p>Our initial indications from this work are that the Council is at the higher end of the risk spectrum for building back assurance. This means full procedures over the Council's income and expenditure transactions will be required over the disclaimed period. In 2025/26, we will conclude our qualitative risk assessment and commence substantive testing over the disclaimed period income and expenditure transactions as part of our build back work.</p>



Building back assurance

Component	Activity	Work planned
Planning	<p>Quantitative Risk Assessment (LARRIG 06)</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. In the prior year we commenced our detailed analysis of the Council's useable and unusable reserves movements over the disclaimed period, with a view to assessing the cumulative impact of movements and the impact of any identified inconsistencies or irregularities.</p>	<p>Our initial indications from this work are that the Council is at the higher end of the risk spectrum for building back assurance. This means full procedures over the Council's income and expenditure transactions will be required over the disclaimed period. In 2025/26, we will continue our qualitative risk assessment and commence substantive testing over the disclaimed period income and expenditure transactions as part of our build back work.</p>
Planning	<p>Integrity of accounts and agreement of financial statements to Council systems</p> <p>We need to confirm that the accounts produced each year during the disclaimed period agree to the Council's own systems, such as agreeing the accounts to the general ledger for the year in question and agreeing the opening ledger for each year to the prior year financial statements. In the prior year we commenced our work in this area.</p>	<p>In 2025/26, we will continue our work over the disclaimed period. In 2025/26 we will maintain this assurance by undertaking our standard audit procedures.</p>
Planning	<p>Review of predecessor auditor files</p> <p>We have contacted the predecessor auditor to arrange our review of their prior year files throughout the disclaimed period and to the last clean opinion.</p>	<p>In 2025/26 we will undertake our work reviewing the predecessor auditor's files for the last completed period and, if necessary, during the disclaimed period.</p>



Building back assurance

Component	Activity	Work planned
Planning	<p>Consideration of fraud and the control environment over the disclaimed period</p> <p>We are required by LARRIG06 and ISA315 to consider the risk of fraud and the control environment over the disclaimed period. In the prior year we commenced our work in this area.</p>	In 2025/26, we will continue our work in this area over the disclaimed period. In 2025/26, we will maintain this assurance by undertaking our standard audit procedures.
Substantive testing	<p>Property, Plant and Equipment: building back assurance over the disclaimed period</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. In the prior year we commenced our work in this area.</p>	In 2025/26, we will continue our work building back assurance over the Council's property, plant and equipment movements over the disclaimed period. In 2025/26, we will maintain this assurance by auditing the current movements for property, plant and equipment.
Substantive testing	<p>Balances directly influenced by the opening position: building back assurance over the disclaimed period</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. In the prior year we commenced our work in this area. This included detailed audit of the income strip transactions over the disclaimed period and the appropriateness of the accounting associated with this significant investment.</p>	In 2025/26, we will continue our work building back assurance over these areas over the disclaimed period. In 2025/26, we will maintain this assurance by auditing the current closing balances for these areas.



Building back assurance

Component	Activity	Work planned
Substantive testing	<p>Capital financing requirement and minimum revenue provision: building back assurance over the disclaimed period</p> <p>In order to build back assurance over the reserves, we need to substantively verify the calculations behind the capital financial requirement and minimum revenue provision over the disclaimed period. In the prior year we commenced our work in this area.</p>	In 2025/26, we will continue our work building back assurance in this area over the disclaimed period. In 2025/26, we will maintain this assurance by auditing the current disclosures for these areas.
Substantive testing	<p>Journals over the disclaimed period</p> <p>To mitigate the risk of management override of controls over the disclaimed period, we need to undertake substantive, risk-based journals testing over the disclaimed period. In the prior year we commenced our work in this area.</p>	In 2025/26, we will continue our work building back assurance in this area over the disclaimed period. In 2025/26, we will maintain this assurance by auditing the current disclosures for these areas.
Substantive testing	<p>Income and expenditure transactions over the disclaimed period</p> <p>Our risk assessment has indicated that the Council is at the higher end of the risk spectrum for building back assurance. This means full procedures over the Council's income and expenditure transactions will be required over the disclaimed period.</p>	In 2025/26, we will commence the substantive audit of income and expenditure transactions over the disclaimed period in accordance with the outcome of our qualitative and quantitative risk assessments undertaken in line with LARRIG06.



Building back assurance

Component	Activity	Work planned
Scale fee audit 2025/26	<p>Closing balances as at 31 March 2026</p> <p>Obtaining full closing assurance over all balances as at 31 March 2026 is subject to:</p> <ul style="list-style-type: none"> • management implementing in full the recommendations raised during our 2024/25 audit to support the building back of assurance • obtaining historic assurance over those balances directly influenced by the closing position • receiving full assurances from the pension fund auditor in respect of the net pension liability (IAS19) • no significant errors being identified in either our build back assurance work or the current year audit 	<p>In 2025/26, we plan to obtain full closing assurance over all balances as at 31 March 2026.</p> <p>Once obtained, this will form the first of three years of required closing assurance required to move to a non-disclaimed position in 2027/28.</p>
Scale fee audit 2025/26	<p>Income and expenditure and in year movements for the period ending 31 March 2026</p> <p>This is in addition to obtaining income and expenditure assurance across the disclaimed period.</p>	<p>In 2025/26, we plan to obtain full assurance over all income, expenditure and in year movements for the period ending 31 March 2026.</p>
Reporting	<p>Reporting the results of the audit</p> <p>We will once again provide a detailed Audit Completion Report providing additional information over the build back work undertaken, the outcome of our work and the progress against the overarching build back journey. This includes the additional work required to issue the disclaimer of opinion, additional review and consultation requirements and additional file documentation requirements.</p>	<p>In 2025/26, we will issue an extended Audit Completion report to the Audit Committee before the backstop date of 31 January 2027.</p>



Value for money

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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').

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

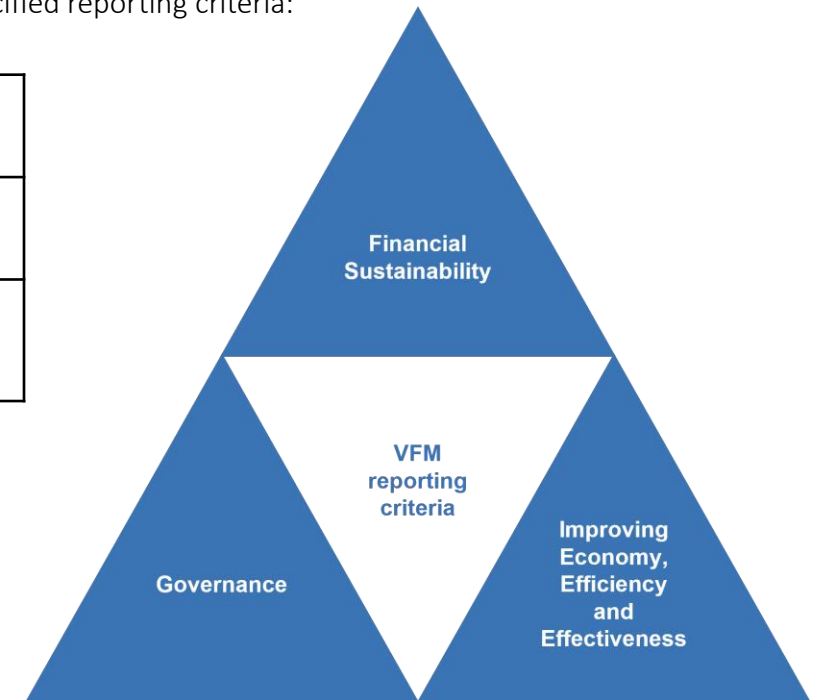
When reporting on such arrangements, the Code of Practice requires us to structure our commentary under three specified reporting criteria:

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

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

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



Value for money

Risks of significant weakness

We have carried out an initial risk assessment to identify any risks of potential significant weakness in the three specific areas of proper arrangements using the guidance contained in AGN 03. We will re-evaluate this risk assessment during the course of the audit and, where appropriate, update our work to reflect emerging risks or findings that may suggest a significant weakness in arrangements. For 2025/26 the National Audit Office's draft updated VFM guidance (AGN03) highlights that the arrangements bodies put in place to manage local government reorganisation (LGR) fit within the scope of VFM arrangements work. There is a risk that significant weaknesses may increase where an entity is involved in, or planning, for LGR. Our VFM work will therefore be extended in 2025/26 to consider the impact of local government reorganisation on the council's VFM arrangements.

We have not identified any risks of significant weaknesses in the Council's arrangements at this stage. The non-significant risks we have identified are detailed in the table on the next page along with the further procedures we will perform.



Value for money

Reporting criteria	2024/25 significant weaknesses reported?	2025/26 planning: risk of significant weakness identified?	Risk based procedures include but are not limited to the following:
<p>Financial sustainability How the body plans and manages its resources to ensure it can continue to deliver its services</p>	No	No	We have not, at this stage, identified any risks of significant weakness. However, there are financial risks present which, if not managed effectively over the short to medium term, could introduce significant weakness in future years. These relate primarily to the financial performance of the income strip scheme. We reported these issues in our Auditor's Annual Report in 2023/24 and 2024/25 and will follow up on the recommendations raised. As part of our review, we will consider the arrangements in place to monitor and mitigate the commercial, economic and other risks relating to the Council's significant income strip scheme.
<p>Governance How the body ensures it makes informed decisions and properly manages risk</p>	No	No	We have not, at this stage, identified any risks of significant weakness that requires specific audit procedures. We will undertake sufficient work to document our understanding of your arrangements as required by the Code.
<p>Improving economy, efficiency and effectiveness How the body uses information about its costs and performance to improve the way it manages and delivers its services</p>	No	No	We have not, at this stage, identified any risks of significant weakness that requires specific audit procedures. We will undertake sufficient work to document our understanding of your arrangements as required by the Code.



Audit team and requirements

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Audit team and requirements

Your core audit team

Partner	Manager	Audit senior	Value for money
<p>Paul Grady Paul.Grady@azets.co.uk</p> <p>Paul is the key contact for senior management and has overall responsibility for audit quality and the audit opinion.</p>	<p>Martha Charima Martha.Charima@azets.co.uk</p> <p>Martha is responsible for the overall management of the audit and quality assurance of audit work. She is the key contact for the finance team management.</p>	<p>Rebecca Lane Rebecca.Lane@azets.co.uk</p> <p>Rebecca leads the on and off-site audit visits. She is the key day-to-day contact for the finance team.</p>	<p>Martha Charima Martha.Charima@azets.co.uk</p> <p>Martha will lead on our value for money work. She is responsible for meeting with Officers and Members and reviewing the arrangements for obtaining value for money.</p>

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Our expectations and requirements

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

- ▶ Draft financial statements to be produced to a good quality by the deadlines you have agreed with us. These should be complete including all notes, the Narrative Report and the Annual Governance Statement;
- ▶ The provision of good quality working papers at the same time as the draft financial statements. These will be discussed with you in advance to ensure clarity over our expectations;
- ▶ The provision of agreed data reports at the start of the audit, fully reconciled to the values in the accounts, to facilitate our selection of samples for testing
- ▶ Ensuring staff are available and on site (as agreed) during the period of the audit;
- ▶ Prompt and sufficient responses to audit queries within 3 days to minimise delays.

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



Audit independence, objectivity and other services provided



Independence, objectivity and other services provided

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.

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Non-audit service fees

Service	2025/26 Fee £	Threats identified and safeguards to mitigate threats to independence
Audit related: Certification of Housing Benefit Assurance Process (HBAP) claim (2025/26)	£28,000 (plus £2,000 for each additional workbook)	<p>Self-interest: Given this is likely to be a recurring fee, we consider a threat present. However, the fee is not significant to Azets Audit Services or Stevenage Borough Council. The fee is fixed and is not contingent in nature.</p> <p>Self-review: Whilst housing benefit revenue and expenditure streams are within the financial statements, we do not complete the claim form. The focus of our work is solely testing the data in the claim form prepared by the management.</p> <p>Management: As above, the claim form is completed by management and any adjustments or amendments identified to the form during the certification work are discussed and agreed by management prior to submission of the certification report.</p> <p>We therefore consider these risks sufficiently mitigated.</p>



Fees

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Fees

Our estimated fees for the year ending 31 March 2026 are shown to the right.

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC’s Ethical Standard (revised 2024). These stipulate the Partner must set a fee sufficient to enable the resourcing of the audit with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

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

This fee is estimated based on our understanding at this point in time and may be subject to change. Our planned fee is on the basis that our expectations set out on pages 5, 32 and 43 are met and the group structure is unchanged.

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

The PSAA contract stipulates that fees must be raised upon completion of specific milestones:

- ▶ Issue of prior year’s draft Auditor’s Annual Report or Opinion issued, but not before 1 December
- ▶ Issues of the Draft Audit Plan
- ▶ Completion of 50% of planned hours
- ▶ Completion of 75% of planned hours



Audit fees	Proposed fee £
Scale fee: for the audit of the Council (and Group’s) financial statements	226,032
Value for money: additional work required to meet the NAO’s Code requirements in respect of the arrangements for local government reorganisation	TBC
Building back assurance: Build back additional fees - work on the LARRIG 06 risk assessment, PPE build back, income strip transactions, work on prior year I&E balances for years with disclaimer opinions	TBC
Enhanced disclaimer 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
Total audit fees	TBC

MHCLG has announced additional funding to Councils to support the cost of building back assurance. This is subject to draft accounts being published by 30 June 2026 and audit fees being paid.

Any variation to the scale fee will be determined by PSAA in accordance with their procedures as set out here: [Fee Variations Overview - PSAA](#).

Our fee estimate also assumes that you will engage suitably competent experts to assist management in the following areas:

- ▶ Actuarial valuation of the defined benefit pension liability
- ▶ RICS compliant valuation of land and buildings and investment property





Stevenage Borough Council - Annual Assurance Statement and Internal Audit Annual Report 2025/26

Audit Committee 2 June 2026

Recommendations

Members are recommended to:

- 1) Note the Annual Assurance Statement and Internal Audit Annual Report 2025/26
- 2) Note the results of the self-assessment required by the Global Internal Audit Standards (GIAS) and the Quality Assurance and Improvement Programme (QAIP)
- 3) Approve the SIAS Audit Charter 2026/27
- 4) Seek management assurance that the scope and resources for internal audit were not subject to inappropriate limitations in 2025/26

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1. Purpose and Background

Purpose of Report

1.1 This report:

- a) Details the Shared Internal Audit Service's (SIAS) overall opinion on the adequacy and effectiveness of Stevenage Borough Council's (the Council) framework of governance, risk management and control. Reference is made to significant matters and key themes.
- b) Shows the outcomes of the self-assessment against the Global Internal Audit Standards (GIAS – UK Public Sector) incorporating the requirements of the Quality Assurance and Improvement Programme (QAIP).
- c) Summarises the internal audit work that informs this opinion.
- d) Shows SIAS performance in respect of delivering the Council's internal audit plan.
- e) Presents the 2026/27 Audit Charter for approval.

Background

- 1.2 The purpose of internal audit is to strengthen the Council's ability to create, protect, and sustain value by providing Members and management with independent, risk-based, and objective assurance, advice, insight, and foresight.
- 1.3 A key duty of the Chief Audit Executive (CAE - the Council's Client Audit Manager) is to provide an annual internal audit opinion, concluding on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control. This opinion informs the conclusions of the Council's Annual Governance Statement.
- 1.4 The assurance opinion in this report is based on the 2025/26 internal audit work which was planned and amended to give sufficient assurance on the Council's management of its key risks. Also considered is any relevant work undertaken in 2026/27 before the Audit Committee report deadline.
- 1.5 The audit plan remained dynamic during the year, with plan changes made to reflect the changing risks of the Council, or pace of transformation and change that would impact on the value of audits originally included in the plan. All plan changes during 2025/26 were communicated to, and approved by, the Audit Committee within the SIAS progress reports.
- 1.6 The International Professional Practices Framework (IPPF) organises the authoritative body of knowledge for the professional practice of internal auditing. The IPPF includes Global Internal Audit Standards (GIAS), Topical Requirements (designed to enhance the consistency and quality of internal audit services related to specific audit subjects) and Global Guidance. The Public Sector Internal Audit Standards, which

Annual Assurance Statement and Internal Audit Annual Report 2025/26

encompassed the mandatory elements of the IPPF, have been replaced by the Application Note Global Internal Audit Standards in the UK Public Sector.

- 1.7 Taken together the GIAS and the Application Note formed the basis of UK public sector internal audit, effective from 1 April 2025. The Note states that a professional, independent, and objective internal audit service is one of the key elements of good governance, as recognised throughout the UK public sector.
- 1.8 When the Global Institute of Internal Auditors published the GIAS, it recognised that in the public sector, governance structures, other laws or regulations may impact on how the essential conditions can be applied. This is the case in UK local government. The GIAS itself provides for the CAE to reach agreement with those in governance roles and senior management on alternative conditions that still allow for conformance with the GIAS. The CIPFA Code of Practice for the Governance of Internal Audit in UK Local Government provides the route to satisfying the essential conditions in the GIAS in the UK public sector, tailored for UK local government. The Application Note and GIAS in the UK public sector directs the local government sector bodies to apply this Code.
- 1.9 The GIAS (UK Public Sector) sets out matters that SIAS must report to the audit committee. SIAS conform with these requirements through inclusion in the Annual Assurance Statement and Internal Audit Annual Report 2025/26. The summarised requirements that SIAS must adhere to are set out below:

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

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

Annual Assurance Statement and Internal Audit Annual Report 2025/26

<p>Domain IV 11.3</p>	<p>Communicating Results The CAE must communicate the results of internal audit services to the board and senior management periodically and for each engagement as appropriate. The CAE must understand the expectations of the board and senior management regarding the nature and timing of communications. The results of internal audit services can include:</p> <ul style="list-style-type: none"> • Engagement conclusions. • Themes such as effective practices or root causes. • Conclusions at the level of the business unit or organisation.
<p>Domain IV 12.1</p>	<p>Internal Quality Assessment The CAE must develop and conduct internal assessments of the internal audit function's conformance with the Global Internal Audit Standards and progress toward performance objectives. The CAE must establish a methodology for internal assessments that includes:</p> <ul style="list-style-type: none"> • Ongoing monitoring of the internal audit function's conformance with the Standards and progress toward performance objectives. • Periodic self-assessments or assessments by other persons within the organization with sufficient knowledge of internal audit practices to evaluate conformance with the Standards. • Communication with the board and senior management about the results of internal assessments.
<p>Domain IV 15.2</p>	<p>Confirming the Implementation of Recommendations or Action Plans Internal auditors must confirm that management has implemented internal auditors recommendations or managements action plans following an established methodology, which includes:</p> <ul style="list-style-type: none"> • Inquiring about progress on the implementation. • Performing follow-up assessments using a risk-based approach. • Updating the status of management's actions in a tracking system.

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

1.11 SIAS is grateful for the co-operation and support it has received from client officers during 2025/26.

2. Annual Assurance Statement 2025/26

Assurance opinion on internal control

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

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

We have provided further context on our assurance opinion, including the internal control design and operation elements, at paragraphs 3.1 to 3.5 below as part of our Overview of Internal Audit Activity at the Council in 2025/26.

Context

Scope of responsibility

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

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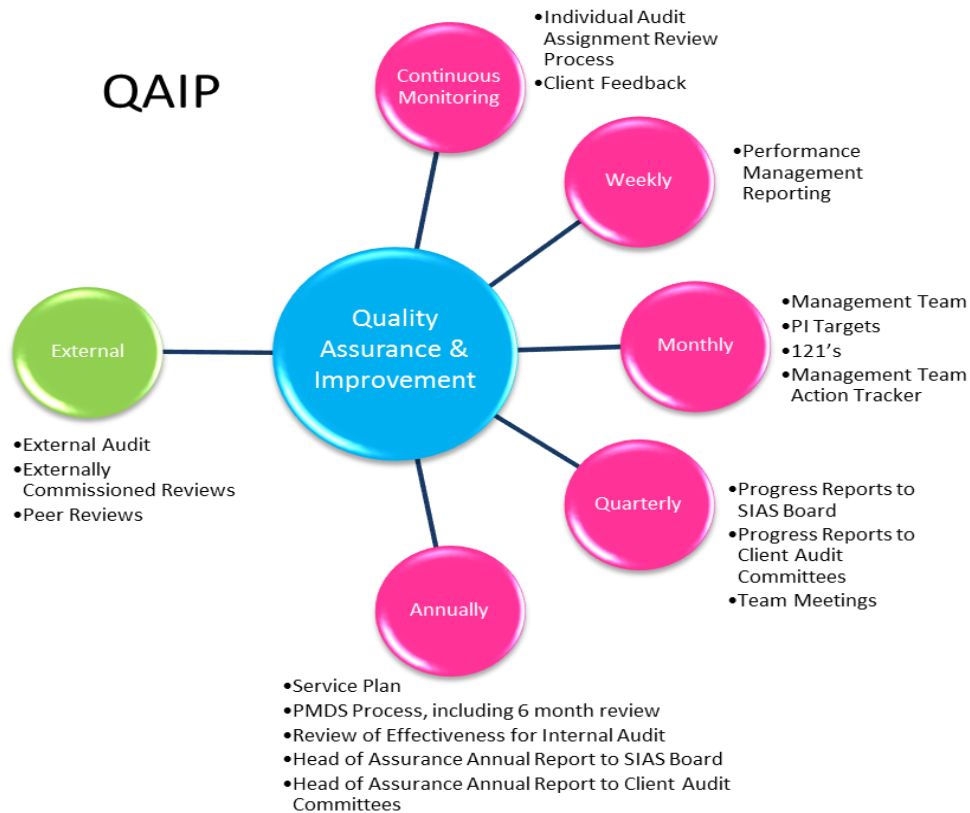
Control environment

- 2.3 The control environment comprises three key areas: governance, risk management, and internal control. Together these aim to manage risk to an acceptable level, but it is accepted that it is not possible to eliminate it. A robust control environment helps ensure that the Council's policies, priorities, and objectives are achieved.

Review of effectiveness

- 2.4 The CAE must confirm annually that the internal audit function is suitably qualified to carry out the work that informs the assurance opinion. This includes that the CAE maintains and enhance their own qualifications and competences. SIAS can confirm that the service is suitably resourced and qualified to undertake its work, including the qualifications and competences of the CAE.
- 2.5 As part of our Quality Assurance and Improvement Programme, an internal quality self-assessment was conducted to review our conformance with the Global Internal Audit Standards (GIAS).
- 2.6 The GIAS also require that the SIAS be subject to an external quality assessment (EQA) at least once every five years. This should be conducted by a qualified, independent assessor or assessment team from outside the organisation. This assessment was last completed in June 2021, with the results reported to the Audit Committee in November 2021. The next EQA is due in 2026/27, and SIAS have appointed the Chartered Institute of Internal Auditors as the organisation to perform the assessment in quarter 4 of 2026/27.
- 2.7 Based on the results of the 2025/26 GIAS self-assessment, the CAE has concluded that SIAS 'generally conforms' with the GIAS (UK Public Sector).
- 2.8 The self-assessment identified seven areas where, whilst we assessed our current processes followed the principles of the GIAS, improvements could be made to the documentary evidence available to support independent verification of compliance.
- 2.9 A summary of the outcomes of the GIAS self-assessment is detailed in Appendix C. There are no significant deviations from these Standards, or the Global Internal Audit Standards that were in place during 2025/26, which warrant inclusion in the Council's Annual Governance Statement.
- 2.10 The SIAS QAIP includes both internal and external monitoring and reporting to assess the efficiency and effectiveness of internal audit activity and identify opportunities for improvement. The diagram below details the methods used to monitor and report on these. Detailed information outlining activity in each area is contained in the SIAS Audit Manual.

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2.11 The CAE confirms that during 2025/26 SIAS operated according to its QAIP with evidence available within the service to support the achievement of each QAIP element.

2.12 The CAE confirms that during the year:

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

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

Client Audit Manager
May 2026

3. Overview of Internal Audit Activity at the Council in 2025/26

- 3.1 This section summarises work undertaken at the Council by SIAS in 2025/26. It highlights any significant internal control matters and opportunities for improvement.
- 3.2 Appendix A shows the final position against the agreed revised audit plan, assurance levels and the number of recommendations made. A summary of assurance levels and recommendation priorities is shown in the tables below (2024/25 data in brackets).

Assurance Level	Number of reports 2025/26 (2024/25 data in brackets)	Percentage of reports 2025/26 (2024/25 data in brackets)
Substantial	13 (15)	45% (56%)
Reasonable	12 (6)	41% (22%)
Limited	0 (1)	0% (4%)
No	0 (0)	0% (0%)
Not Assessed	1 (2)	4% (7%)
Unqualified	1 (1)	4% (4%)
Qualified	0 (0)	0% (0%)
Not Yet Complete	2 (2)	6% (7%)
Total	29 (27)	100% (100%)

Recommendation Priority Level	Number of recommendations 2025/26 (2024/25 data in brackets)	Percentage of recommendations made 2025/26 (2024/25 data in brackets)
Critical	0 (0)	0% (0%)
High	0 (1)	0% (2%)
Medium	26 (11)	43% (18%)
Low	34 (45)	57% (80%)
Total	(60) (57)	100% (100%)

- 3.3 **The Reasonable assurance opinion overall on the Council's systems** (Reasonable assurance provided in 2024/25) has been concluded from the 26 audits undertaken during 2025/26. In addition, 1 grant certification received an unqualified opinion. In respect of assurance reviews, 13 received a Substantial Assurance opinion and 12 received Reasonable Assurance opinions.

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Audit Recommendations

- 3.4 Through the recommendations follow up process for 2025/26, undertaken in March 2026, the CAE can confirm that no critical nor high priority recommendations remain outstanding. In respect of Medium Priority recommendations, a total of 17 were outstanding at the time this report was written. However, these had yet to reach the implementation due date.

Communicating Results

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

Root Cause Analysis

- 3.6 Within the Global Internal Audit Standards, standards 11.3 (communicating results) and standard 14.3 (evaluation of findings), reference has been made to working with management to identify and report root causes of audit findings and identify organisational themes where these may be present. This is on the basis that without root causes being identified there is a high likelihood that audit recommendations or management actions will be ineffective in addressing the issues identified.
- 3.7 During 2025/26, SIAS incorporated root cause identification into our methodology and these are now routinely reported where it is possible to identify these. Whilst we meet the standards in relation including root causes within our individual audit reports, we have not extended to organisational theme reporting at this stage.
- 3.8 In relation to the latter point, during our first year of embedding root cause analysis we have established that further work is required to support identification of wider organisational issues. This includes refinement of the categorisation of root causes to allow accurate analysis, and consideration of how the overall analysis can consider the relative priority and risk of issues at an organisational level to arrive at meaningful conclusions.
- 3.9 Further work will be undertaken during 2026/27 to improve the processes for establishing organisational themes, which will then be analysed and reported within future internal audit annual assurance and opinion statements.

4. Performance of the Internal Audit Service in 2025/26

Performance indicators

4.1 The table below compares SIAS performance at the Council against the 2025/26 targets set by the SIAS Board.

Indicator	Target 2025/26	Actual to 31 March 2026	Notes
1. Planned Days – percentage of actual billable days against planned chargeable days completed (excludes unused contingency)	95%	97%	280.5 days delivered out of the 290 days planned
2. Planned Projects – percentage of actual completed projects to draft report stage against planned completed projects by 31 st March 2025	90%	90%	26 projects to draft or final report from the 29 projects planned
3. Planned Projects – percentage of actual completed projects to final report stage against planned completed projects by the production of the Annual Report	100%	93%	27 projects to final report from the 29 projects planned (see Appendix A)
4. Client Satisfaction – percentage of client satisfaction questionnaires returned at ‘satisfactory’ level	100%	100%	Based on 10 questionnaires received in the year
5. Number of High and Critical Priority Audit Recommendations – agreed as a percentage	95%	N/A	0 High priority recommendations made and agreed
6. Annual Plan – prepared in time to present to the March meeting of Audit Committee. If there is no March meeting, then the Plan should be prepared for the first meeting of the financial year.	Achieved	Achieved	Presented in March 2026
7. Chief Audit Executive’s Annual Report – presented at the first Audit Committee meeting of the financial year.	Deadline met	Met	The 2024/25 Annual Report was presented to the June 2025 Audit Committee

Service Developments

4.2 During 2025/26 the main service and development activities for SIAS included:

- a) **Recruitment** – Despite operating in a challenging recruitment market, SIAS have achieved some success in filling our vacancies. Two Trainee Auditors were recruited, one in June 2025 and one in September 2025.
- b) **Training & Development** – As a service, we continue to adopt our ‘grow your own strategy’ to provide the future talent for the Service and improve succession planning, in what remains a challenging recruitment market. We continue to support our team in progressing their professional qualifications, with nine members of the team actively studying towards the Institute of Internal Auditors Certified Internal Auditor qualification and one team member progressing a CIPFA accountancy qualification. In addition to the professional training above, the SIAS management team continued to deliver a programme of lite bite training sessions linked to modern professional practice.
- c) **Commercial Strategy** – In 2023/24 the SIAS Partnership Board agreed to plans for growing the service through new business, this was driven by the need to minimise inflationary pressures for existing partners. During 2025/26 SIAS continued to successfully deliver agreed external business targets, with more than 350 audit days provided to two audit partnerships (Eastern Internal Audit Services and Dartford and Sevenoaks) during 2025/26. A key principle within SIAS’s strategy is to ensure that growth is undertaken on an incremental basis to protect both the capacity and capabilities of SIAS to deliver our core assurance services to SIAS partners. This was achieved during 2025/26 with key performance indicators for SIAS partners being met. In respect of governance, clear delegation structures continue to be in place in relation to decision making for assessing new opportunities and a suite of key performance indicators have been agreed which are reported to the SIAS Partnership Board on a quarterly basis to support oversight and challenge of delivery and rates of return.
- d) **Audit Practice** – as part of our continued work to adopt best practice from across the profession and to implement the new GIAS, our audit plans for 2025/26 included time allocations for work to update key documents or processes to align with the new GIAS. We also progressed other development activities to further enhance our approach, such as the development of a new audit report template and the introduction of root cause analysis into the audit process.

5. Audit Charter 2026/27

- 5.1 The GIAS require a local authority to formally adopt an Audit Charter which covers the authority and responsibility for an internal audit function.
- 5.2 The Internal Audit Charter sets out the framework within which it discharges its internal audit responsibilities to those charged with governance in the partner councils. It details the permanent arrangements

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for internal audit and key governance roles and responsibilities to ensure the effectiveness of internal audit provision.

- 5.3 The Internal Audit Charter is reviewed annually, with the next review being in May 2027.

APPENDIX A – FINAL POSITION AGAINST THE COUNCIL’S 2025/26 AUDIT PLAN

Stevenage Borough Council Audit Plan – 2025/26

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS **				AUDIT PLAN DAYS	STATUS/COMMENT
		C	H	M	LA		
Key Financial Systems							
Council Tax	Substantial	0	0	0	2	6	Final Report Issued *
Business Rates	Substantial	0	0	0	2	6	Final Report Issued
Payroll	Reasonable	0	0	1	1	10	Final Report Issued
Housing Benefits	Substantial	0	0	0	1	6	Final Report Issued
Accounts Payable	Reasonable	0	0	3	7	8	Final Report Issued
Accounts Receivable	Substantial	0	0	0	0	8	Final Report Issued *
Treasury Management	-	-	-	-	-	6	Work In Progress
Housing Rents	Substantial	0	0	0	1	10	Final Report Issued *
Cash & Banking	Substantial	0	0	0	0	8	Final Report Issued
Insurance	Substantial	0	0	0	2	7	Final Report Issued
Operational Services							
Property Compliance Checks	Substantial	0	0	0	0	6	Final Report Issued
Building Security	Reasonable	0	0	3	1	11	Final Report Issued

APPENDIX A – FINAL POSITION AGAINST THE COUNCIL’S 2025/26 AUDIT PLAN

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS **				AUDIT PLAN DAYS	STATUS/COMMENT
		C	H	M	LA		
Damp and Mould	-	-	-	-	-	10	Work In Progress
Follow Up of Limited Assurance Reports	Not Assessed	0	0	0	0	5	Final Report Issued
Garages	Reasonable	0	0	2	1	10	Final Report Issued
Housing Register & Allocations	Reasonable	0	0	1	1	10	Final Report Issued
Housing Repairs	Reasonable	0	0	3	3	15	Final Report Issued
Parks & Open Spaces	Substantial	0	0	0	3	11	Final Report Issued
Waste Recycling	Reasonable	0	0	1	1	10	Final Report Issued
Corporate Services/Themes							
Corporate Governance	Substantial	0	0	0	0	6	Final Report Issued
Equality, Diversity & Inclusion	Substantial	0	0	0	1	7	Final Report Issued
Ombudsman Referrals	Substantial	0	0	0	2	8	Final Report Issued
Grant Certification	Unqualified	0	0	0	0	6	Final Report Issued
Procurement Act	Reasonable	0	0	2	1	11	Final Report Issued
Review of Audit Committee	Reasonable	0	0	2	1	7	Final Report Issued
Risk Management	Substantial	0	0	0	1	6	Final Report Issued

APPENDIX A – FINAL POSITION AGAINST THE COUNCIL’S 2025/26 AUDIT PLAN

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS **				AUDIT PLAN DAYS	STATUS/COMMENT
		C	H	M	LA		
Social Media	Reasonable	0	0	2	2	8	Final Report Issued
IT Audits							
Cyber Security	Reasonable	0	0	4	0	6	Final Report Issued *
IT Hardware Inventory	Reasonable	0	0	2	0	11	Final Report Issued
Contingency							
Unused Contingency	-	-	-	-	-	10	-
Strategic Support							
2026/27 Audit Planning	-	-	-	-	-	6	Complete
Audit Committee	-	-	-	-	-	12	Complete
Chief Audit Executive Annual Opinion	-	-	-	-	-	3	Complete
Plan & Progress Monitoring	-	-	-	-	-	12	Complete
Client Liaison, Adhoc Advice	-	-	-	-	-	8	Complete
SIAS Development	-	-	-	-	-	10	Final Report Issued
SBC TOTAL		0	0	26	34	300	

* At Draft Report stage 31 March 2026, Final Report issued after year end.

APPENDIX A – FINAL POSITION AGAINST THE COUNCIL’S 2025/26 AUDIT PLAN

** Key to Recommendation Priority Levels: C = Critical priority recommendations; H = High priority recommendations; M = Medium priority recommendations; LA = Low priority recommendations or Advisories.

APPENDIX B – DEFINITIONS OF ASSURANCE AND RECOMMENDATION PRIORITY LEVELS 2025/26

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

APPENDIX C – POSITION AGAINST GLOBAL INTERNAL AUDIT STANDARDS AT MAY 2026 – ACTION PLAN

During 2025/26 all areas apart from those identified below were conforming.

Domain.	Standard.	Requirement (Summary or relevant extract).	Self-Assessment Outcome.	Commentary.	Action Proposed.	Target Date.
II.	Principle 2 – Maintain Objectivity.	If objectivity is impaired in fact or appearance, the details of the impairment must be disclosed promptly to the appropriate parties.	Partial Conformance - SIAS does not currently formally record any impairments that may exist for audits being conducted.	Whilst the SIAS Audit Working Paper (AWP) includes evaluations related to conflicts of interest (audit or audit supervisor), this has not been extended to record any potential impairments that may exist in relation to the delivery of the audit and how these have been mitigated.	The SIAS AWP will be updated to include a specific statement on any impairments that may exist in relation to the audit being progressed and how these have been managed.	End of June 2026.
Page 76	Standard 11.3 - Communicating Results.	The findings and conclusions of multiple engagements, when viewed holistically, may reveal patterns or trends, such as root causes. When the CAE identifies themes related to the organisation's governance, risk management, and control processes, the themes must be communicated timely, along with insights, advice, and/or conclusions, to the board and senior management.	Partial Conformance – root cause analysis has been embedded into audit methodologies and reporting but is currently limited to individual assignment level.	SIAS introduced root cause analysis into the internal audit methodology at the start of 2025/26, with root causes now established for all audit findings where possible and these detailed within engagement reports. Whilst the intention is to use this information to provide insight on common organisational themes, we have identified the need to refine the current root cause definitions and systems to evaluate the relative risks associated with individual issues to allow any wider organisational analysis to be accurate and meaningful.	Having worked with the current definitions for a year, SIAS will now review and refine the current categorisation of root causes and create appropriate systems to support analysis at a global level. In respect of the latter, we are keen to ensure that wider organisation analysis sufficiently recognises the differing levels of risk for issues identified, as opposed to just a numerical representation that may provide mis-leading results.	End of September 2026.
V.	Principle 13 Plan	UK Public Sector Application note - Auditors must also be aware of	Partial Conformance –	Whilst Auditors and Client Audit Managers will work together during the planning and	A formal methodology to demonstrate how SIAS	End of September

APPENDIX C – POSITION AGAINST GLOBAL INTERNAL AUDIT STANDARDS AT MAY 2026 – ACTION PLAN

Domain.	Standard.	Requirement (Summary or relevant extract).	Self-Assessment Outcome.	Commentary.	Action Proposed.	Target Date.
	Engagements Effectively.	the importance of value for money, alongside other key considerations, when determining appropriate evaluation criteria under GIAS 13.4 (Evaluation Criteria).	but area for further development.	progression of audits to consider value for money, the current approach is not formally documented as a methodology. This therefore reduces transparency in the approach followed when determining evaluation criteria and coverage.	consider value for money within relevant audits will be created for inclusion in the SIAS Audit Manual. An additional section will also be added to the Audit Checklist with the template SIAS Audit Working Paper to indicate any specific value for money considerations relevant to the audit.	2026.
	Principle 5 – Maintain Confidentiality.	Internal auditors must understand and abide by the laws, regulations, policies, and procedures related to confidentiality, information privacy, and information security that apply to the organisation and internal audit function.	General Conformance – a more formalised system for managing systems access to client systems would improve evidence of compliance.	In a limited number of instances Auditors may be provided with access to key information systems, or client networks (outside of SBC) where this may allow an audit to be undertaken more efficiently or to protect objectivity and independence of testing. Whilst a request to remove system access will be submitted at the end of the audit assignment, systems could be improved through the introduction of a control record to allow monitoring that this has happened in a timely manner.	SIAS to create a formal log of all access requests granted to client systems, the member of staff holding the access and the date such access has been ended. This will be periodically monitored by the CAE to ensure access is end-dated promptly upon completion of related audits.	End of July 2026.
II.	Principle 3 – Demonstrate Competency.	Internal auditors must possess or obtain the competencies to perform their responsibilities	General Conformance – reviews of audit	A key element of the SIAS strategy is to follow a grow your own strategy, therefore developing staff is a fundamental part of	As part of future annual performance and development meetings, team	By end of September 2026 and

APPENDIX C – POSITION AGAINST GLOBAL INTERNAL AUDIT STANDARDS AT MAY 2026 – ACTION PLAN

Domain.	Standard.	Requirement (Summary or relevant extract).	Self-Assessment Outcome.	Commentary.	Action Proposed.	Target Date.
		successfully. The required competencies include the knowledge, skills, and abilities suitable for one’s job position and responsibilities commensurate with their level of experience.	competencies are currently completed as part of development discussions and plans, as opposed to a formal assessment.	this objective. Whilst line managers work with each team member to review and develop their skills and knowledge, including through development plans, this is not currently supported by a specific periodic skills and competencies analysis.	members will be asked to self-assess their knowledge, skills and competencies against an evaluation framework (using matrices from professional bodies) to support identification of areas for development or training needs.	annually in March from 2028.
Page 78 V	Various	SIAS to maintain an Audit Manual that provides requirements and guidance to staff on the internal audit service and methodologies related to delivering assurance work.	General Conformance – but further adjustments are required to add further detail to some elements of the manual.	The GIAS reference key requirements in relation to the structure, approach and documentation of the audit function and process. Whilst we are satisfied that the service has an audit manual which provides a clear structure for staff, we have identified areas where further detail could be provided to further explain how SIAS meets some elements of the GIAS or Public Sector Application notes in practice. This will provide improved clarity to our junior staff who have limited involvement in these areas based on their role and improve business continuity in times of key staff absence.	The SIAS manual is currently being reviewed, with this due to be completed during quarter two.	End of August 2026.
V	Standard 15.1 Final Engagement Communication	If the engagement is not conducted in conformance with the Standards, the final engagement communication	General Conformance – but an opportunity exists	No instances have been encountered to date where we have been unable to conform with the standards in relation to the delivery of specific audit engagements.	The SIAS report template will be updated to include a specific statement on whether the audit was conducted in	End of July 2026.

APPENDIX C – POSITION AGAINST GLOBAL INTERNAL AUDIT STANDARDS AT MAY 2026 – ACTION PLAN

Domain.	Standard.	Requirement (Summary or relevant extract).	Self-Assessment Outcome.	Commentary.	Action Proposed.	Target Date.
		must disclose the following details about the non-conformance: <ul style="list-style-type: none"> • Standard(s) with which conformance was not achieved. • Reason(s) for non-conformance. • Impact of nonconformance on the engagement findings and conclusions. 	to include a standing statement within audit reports to confirm that standards have been followed.	In the event of any such instances occurring our resulting audit report would include required statements. However, consideration could be given to introducing a dedicated section within our report template to specifically state that audits conformed with the GIAS, or specific reasons and potential impacts where this was not the case. This would further strengthen consistency, visibility, and alignment with the Standard’s disclosure requirements.	line with the GIAS, or any areas of non-conformance and related impacts in the exceptional instances where this may arise.	



SIAS Internal Audit Charter 2026/2027

1. Introduction and Purpose

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

2. Statutory Basis of Internal Audit

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

3. Role

- 3.1. SIAS internal audit activity is overseen by Stevenage Borough Council's Audit Committee. It is charged with fulfilling audit committee responsibilities and is herewith referred to as the Audit Committee. As part of its oversight role, the Audit Committee is responsible for defining the responsibilities of SIAS via this Charter.
- 3.2. SIAS may undertake additional consultancy activity requested by management. The Chief Audit Executive (the Council's Client Audit Manager) will determine such activity on a case-by-case basis, assessing the skills and resources available.

APPENDIX D – AUDIT CHARTER 2026/27

Significant additional consultancy activity not already included in the Internal Audit Plan will only be accepted and carried out following consultation with the Audit Committee.

4. Professionalism

- 4.1. Internal Audit operates in accordance with the GIAS and supports the Authority in upholding high standards of governance, including the Seven Principles of Public Life. The GIAS sets out the fundamental requirements for the professional practice of internal auditing and include the Purpose of Internal Auditing, Ethics & Professionalism, Governing the Internal Audit Function, Managing the Internal Audit Function and Performing Internal Audit Services.
- 4.2. SIAS also recognises the Mission of Internal Audit as identified within the IPPF, 'To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight' and the Core Principles for the Professional Practice of Internal Auditing, which demonstrate an effective internal audit function, achieving internal audit's mission.
- 4.3. SIAS operations are guided by its operating procedures manual as well as applicable, Chartered Institute of Internal Auditors (CIIA) and Chartered Institute of Public Finance and Accountancy (CIPFA) Position Papers, Practice Advisories and Guides, and relevant council policies and procedures, including compliance with the Bribery Act 2010.
- 4.4. Should non-conformance with the GIAS be identified, the Chief Audit Executive will investigate and disclose, in advance, if possible, the exact nature of the non-conformance, the reasons for it and, if applicable, its impact on a specific engagement or engagement outcome.
- 4.5. If non-compliance with the GIAS relates to the board or senior management deciding not to meet required conditions, and the Chief Audit Executive disagrees with the related reasons, the Chief Audit Executive will assess whether to conclude that the internal audit function cannot comply with the Standards. In such instances the reasons will be documented, shared with the board and senior management for clarity, and made them available to the external quality assessor.

5. Authority and Confidentiality

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

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6. Organisation

- 6.1. The Chief Audit Executive and their representatives have free and unrestricted direct access to the S151 Officer; the Monitoring Officer; Senior Leadership Teams; the Chief Executive; the Audit Committee Chair; the Leader of the Council and the Council's External Auditor. The Chief Audit Executive will communicate with all the above parties at both committee meetings and between meetings as appropriate.
- 6.2. The Chair of the Audit Committee has free and unrestricted direct access to the Chief Audit Executive.
- 6.3. The Chief Audit Executive is line managed by the Head of SIAS who approves all decisions regarding the performance evaluation, appointment, or removal of the Chief Audit Executive, in consultation with the Head of Assurance and SIAS Board. Decisions regarding the performance review, and the appointment/removal of the Chief Audit Executive will be made following appropriate consultation with Member representatives from each of relevant partner audit committees.

7. Stakeholders

The following groups are defined as stakeholders of SIAS:

- 7.1. The Head of SIAS, working with the Chief Audit Executive, both suitably experienced and qualified (CCAB and / or CMIIA), is responsible for:
 - hiring, remunerating, appraising, and developing SIAS staff in accordance with the host authority's HR guidance
 - maintaining up-to-date job descriptions which reflect the roles, responsibilities, skills, qualifications, and attributes required of SIAS staff
 - ensuring that SIAS staff possess or obtain the skills, knowledge, and competencies (including ethical practice) needed to effectively perform SIAS engagements
 - seeking approval from the SIAS Board for the level of human resources and finance required for SIAS to deliver services in accordance with its mandate
- 7.2. The Audit Committee is responsible for overseeing the effectiveness of SIAS and holding the Chief Audit Executive to account for delivery. This is achieved through the approval of the annual audit plan, approval of performance targets set by the SIAS Board and receipt of regular reports. The Committee should champion the internal audit function to enable it to fulfil the purpose of internal auditing and pursue its strategy and objectives.
- 7.3. The Audit Committee is also responsible for the effectiveness of the governance, risk, and control environment within the Council, holding operational managers to account for its delivery.
- 7.4. Where stated in its Terms of Reference, the Audit Committee provides an annual report to the Council detailing the Committee's activities through the year. In addition, and as required, the Committee ensures that there is appropriate communication of, and involvement in, internal audit matters from the wider publicly elected Member body.
- 7.5. The Chief Audit Executive is responsible for ensuring that the outcome of all final Internal Audit reports is reported to all members of the Audit Committee, in a format agreed with these relevant parties.

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- 7.6. Senior Management, defined as the Head of Paid Service, Chief Officers, and their direct reports, are responsible for helping shape the programme of assurance work. This is achieved through analysis and review of key risks to achieving the Council's objectives and priorities. Senior Management should also support recognition of the internal audit function throughout the organisation, and in providing full, free, and unrestricted access to all a client's records, physical property, and personnel as necessary to fulfil the internal audit mandate.
- 7.7. The SIAS Board is the governance group charged with monitoring and reviewing the overall operation of SIAS, with SIAS reporting key information to the Audit Committee within progress and annual reports, including:
- resourcing and financial performance.
 - operational effectiveness through the monitoring performance indicators.
 - any restrictions on internal audit scope, access, authority, or resources limiting the ability to carry out its responsibilities effectively.
 - the overall strategic direction of the shared service.
8. Independence and Objectivity
- 8.1. No element in the organisation should interfere with audit selection, scope, procedures, frequency, timing, or report content. This is necessary to ensure that internal audit maintains the necessary level of independence and objectivity.
- 8.2. As well as being impartial and unbiased, internal auditors will have no direct operational responsibility or authority over any activity audited. They will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that might impair their judgment.
- 8.3. When asked to undertake any additional roles/responsibilities outside internal auditing, the Chief Audit Executive will highlight to the Audit Committee any potential or perceived impairment to independence and objectivity having regard to the principles contained within the GIAS Code of Ethics as well as any relevant requirements set out in other professional bodies to which the Chief Audit Executive may belong. The Audit Committee will approve and periodically review any safeguards put in place to limit any impairments to independence and objectivity.
- 8.4. Where SIAS has been required to provide assurance to other partnership organisations, or arm's length bodies such as trading companies, the Chief Audit Executive and Head of SIAS will ensure that the risks of doing so are managed effectively, having regard to the Head of SIAS's primary responsibility to the management of the partners for which they are engaged to provide internal audit services.
- 8.5. The Chief Audit Executive will confirm to the Audit Committee, at least annually, the organisational independence of SIAS.
9. Conflicts of Interest
- 9.1. Internal auditors will exhibit clear professional objectivity when gathering, evaluating, and communicating engagement information. When forming judgments, they will make a balanced assessment of all relevant circumstances and not be influenced by their own interests or the views and interests of others.

APPENDIX D – AUDIT CHARTER 2026/27

- 9.2. Each auditor will comply with the ethical requirements of his/her professional body and proactively declare any potential conflict of interest, whether actual or apparent, prior to the start of an engagement.
- 9.3. All auditors sign an annual declaration of interest to ensure that the allocation of work avoids conflict of interest. Auditors who undertake consultancy work or are new to the team will be prohibited from auditing in those areas where they have worked in the past year. Audits are rotated within the team to avoid over-familiarity and complacency.
- 9.4. SIAS procures an arrangement with an external delivery partner to provide service resilience, i.e., additional internal audit days on request. The external delivery partner will be used to deliver engagements as directed by the Chief Audit Executive in particular providing advice and assistance where SIAS staff lack the required skills or knowledge. The external delivery partner will also be used to assist with management of potential and actual conflicts of interest in internal audit engagements, providing appropriate independence and objectivity as required.
- 9.5. In the event of a real or apparent impairment of independence or objectivity, (acceptance of gifts, hospitality, inducements, or other benefits) the Chief Audit Executive Manager will investigate and report on the matter to appropriate parties.
- 9.6. Hertfordshire County Council's Head of Assurance not only leads and has overall management responsibility for SIAS, but also the similarly constituted Shared Anti-Fraud Service (SAFS).
- 9.7. Given that SIAS will potentially undertake internal audit activity in relation to SAFS, this relationship is formally disclosed, and appropriate safeguards will be put in place against any potential impairment to independence. The Head of SIAS will manage the internal audit engagement of this service and report findings directly to the Strategic Director & S151 Officer.
10. Responsibility and Scope
- 10.1. The scope of SIAS encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the organisation's governance, risk management, and internal control processes (as they relate to the organisation's priorities and objectives) and the promotion of appropriate ethics and values.
- 10.2. Internal control and risk management objectives considered by internal audit extend to the organisation's entire control and risk management environment and include:
- consistency of operations or programs with established objectives and goals, and effective performance
 - effectiveness and efficiency of governance, operations, and employment of resources
 - compliance with significant policies, plans, procedures, laws, and regulations
 - design, reliability and integrity of management and financial information processes, including the means to identify, measure, classify, and report such information
 - safeguarding of assets
- 10.3. SIAS is well placed to provide advice and support on emerging risks and controls and will, if requested, deliver consulting and advisory services, or evaluate specific operations.

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- 10.4. SIAS is responsible for reporting to the Audit Committee and senior management, significant risk exposures (including those to fraud addressed in conjunction with the SAFS), control and governance issues and other matters that emerge from an engagement.
- 10.5. Engagements are allocated to (an) internal auditor(s) with the appropriate skills, experience, and competence. The auditor is then responsible for carrying out the work in accordance with the SIAS Operating Procedures Manual, and must consider the relevant elements of internal control, the needs and expectations of clients, the extent of work required to meet the engagement's objectives, its cost effectiveness, and the probability of significant error or non-compliance.
11. Role in Anti-Fraud
 - 11.1. The SIAS work programme, designed in consultation with Senior Management and the Audit Committee seeks to provide assurance on how the Council manages the fraud risks to which it is exposed.
 - 11.2. SIAS must have sufficient knowledge to evaluate the risk of fraud and the way it is managed by the Council but are not expected to have the expertise of a person or team whose primary responsibility is detecting and investigating fraud.
 - 11.3. SIAS will exercise due professional care by considering the probability of significant errors, fraud, or non-compliance when developing audit scopes and objectives.
 - 11.4. SBC is a partner of both SIAS and SAFS and benefits from collaboration and intelligence sharing between the teams. This informs both horizon scanning as part of the internal audit planning process and individual audit engagements.
 - 11.5. The Chief Audit Executive should be notified of all suspected or detected fraud, corruption, or impropriety so that the impact upon control arrangements can be evaluated.
12. Internal Audit Plan
 - 12.1. Following discussion with appropriate senior management, the Chief Audit Executive will submit a risk-based plan to the Audit Committee for review and approval. This will occur at least annually. The plan sets out the engagements agreed by the Section 151 Officer and Senior Leadership Team and demonstrates the priorities of both SIAS (the need to produce an annual internal audit opinion) and those of the organisation. Also included will be any relevant declarations of interest.
 - 12.2. The plan will be accompanied by details of the risk assessment approach used and other assurance considered during the planning process. Also shown will be the timing of an engagement, its budget in days, details of any contingency for new or changed risks, time for planning and reporting and a contribution to the development of SIAS.
 - 12.3. The plan will be subject to regular review in year and may be modified in response to changes in the organisation's business, risks, operations, programmes, systems, and controls. All significant changes to the approved internal audit plan will be communicated in the quarterly update reports.

APPENDIX D – AUDIT CHARTER 2026/27

13. Reporting and Monitoring

- 13.1. A draft written Terms of Reference will be prepared and issued to appropriate personnel at the start of an engagement. It will cover the intended objectives, scope and reporting mechanism and will be agreed with the client. Changes to the terms of reference during the engagement may occur and will be agreed following consultation with the client.
- 13.2. A report will be issued to management on completion of an engagement. It will include a reasoned opinion, details of the time and scope within which it was prepared, management's responses to specific risk prioritised findings and recommendations made and a timescale within which corrective action will be / has been taken. If recommended action is not to be taken, an explanation for this will also be included.
- 13.3. In the event of material objectivity, other potential impairments or scope limitations being identified during the audit planning, scoping or audit fieldwork stages, these will be formally reported within the related terms of reference or audit report, and where relevant communicated to the Board within the next available progress report.
- 13.4. SIAS will follow-up the implementation of agreed recommendations in line with the protocol at each client. As appropriate, the outcomes of this work will be reported to the audit committee and may be used to inform the risk-based planning of future audit work. Should follow-up activity identify any significant error or omission, this will be communicated by the Client Audit Manager to all relevant parties.
- 13.5. In consultation with senior management, the Chief Audit Executive will consider, on a risk-basis, any request made by external stakeholders for sight of an internal audit report.
- 13.6. Quarterly update reports to the Audit Committee will detail the results of each engagement, including significant risk exposures and control issues. In addition, an annual report will be produced giving an opinion on the overall control, governance, and risk management environment (and any other issues judged relevant to the preparation of the Annual Governance Statement) with a summary of the work that supports the opinion. Hertfordshire County Council's Head of Assurance will also make a statement of conformance with GIAS, using the results of the annual self-assessment and Quality Assurance and Improvement Plan (QAIP) required by the GIAS. The statement will detail the nature and reasons for any impairments, qualifications, or restrictions in scope for which the Committee should seek reassurances from management. Any improvement plans arising will be included in the annual report.

14. Periodic Assessment

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

APPENDIX D – AUDIT CHARTER 2026/27

- 14.3. A single review will be carried out to provide assurance to all SIAS partners with the outcomes included in the partner's Annual Report.
15. Review of the Audit Charter
 - 15.1. The Chief Audit Executive will review this Charter annually and will present to the first audit committee meeting of each financial year, any changes for approval.
 - 15.2. The Chief Audit Executive reviewed this Audit Charter in May 2026. It will next be reviewed in April 2027.

APPENDIX D – AUDIT CHARTER 2026/27

Glossary of Terms

<p>Audit Committee</p>	<p>The GIAS defines the Audit Committee as “The governance group charged with independent assurance of the adequacy of the risk management framework, the internal control environment and the integrity of financial reporting.”</p> <p>The Audit Committee operates in accordance with its terms of reference contained in Stevenage Borough Council’s Constitution.</p> <p>CIPFA’s <i>Audit Committees Practical Guidance for Local Authorities and Police 2022 Edition</i> indicates that for a local authority, it is best practice for the audit committee to report directly to full council rather than to another committee, as the council itself most closely matches the body of ‘those charged with governance’. This is the case at SBC.</p>
<p>Audit Plan</p>	<p>The programme of risk-based work carried out by the Shared Internal Audit Service (SIAS) on behalf of its clients.</p>
<p>Board</p>	<p>The GIAS defines the ‘Board’ as “The highest-level governing body (e.g., a board of directors, a supervisory board, or a board of governors or trustees) charged with the responsibility to direct and/or oversee the organisation’s activities and hold senior management accountable. Although governance arrangements vary among jurisdictions and sectors, typically the board includes members who are not part of management. If a board does not exist, the word “board” in the Standards refers to a group or person charged with governance of the organisation. Furthermore, “board” in the Standards may refer to a committee or another body to which the governing body has delegated certain functions (e.g., an Audit Committee).</p> <p>For the purposes of the SIAS Audit Charter, the Board as referred to in the GIAS shall be Stevenage Borough Council’s Audit Committee. All references to the Audit Committee in the SIAS Audit Charter should be read in this context.</p>
<p>Chief Audit Executive (CAE)</p>	<p>The GIAS describes the role of CAE as “a person in a senior position responsible for effectively managing the internal audit activity in accordance with the internal audit charter and the mandatory elements of the International Professional Practices Framework. The CAE or others reporting to the CAE will have appropriate</p>

APPENDIX D – AUDIT CHARTER 2026/27

	<p>professional certifications and qualifications. The specific job title and/or responsibilities of the CAE may vary across organisations.”</p> <p>The CAE is fundamental to the success of the service and to the extent to which it complies with the Standards. Regular reference is made to this role throughout the GIAS, including some specific requirements relating to whoever is designated the role.</p> <p>For the purposes of the SIAS Audit Charter, the CAE as referred to in the GIAS shall be SBC’s Client Audit Manager. Any references to the Client Audit Manager in the SIAS Audit Charter should be read in this context.</p>
Global Internal Audit Standards	<p>The Standards guide the worldwide professional practice of internal auditing and serve as a basis for evaluating and elevating the quality of the internal audit function. At the heart of the Standards are 15 guiding principles that enable effective internal auditing.</p>
Management	<p>Operational officers of the Council responsible for creating corporate policy and organising, planning, controlling, and directing resources to achieve the objectives of that policy. Senior management is defined as the Head of Paid Service, Chief Officers, and their direct reports.</p>
Shared Internal Audit Service (SIAS)	<p>SIAS is a local authority partnership comprising Hertfordshire County Council (HCC) and seven Hertfordshire district and borough councils. SIAS also provides internal audit services to a limited number of external clients. HCC is the host authority for the partnership and provides support services such as HR, technology, and accommodation.</p>
SIAS Board	<p>The Board that comprises officer representatives from the partner authorities and is responsible for the governance of the SIAS partnership.</p>

Note:

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

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Meeting Audit Committee
Portfolio Area All
Date 2 June 2026



2025/26 ANNUAL GOVERNANCE STATEMENT AND LOCAL CODE OF CORPORATE GOVERNANCE

Author – Joe Maggs

Contributors – Directors, Shared Internal Audit Service

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1 PURPOSE

- 1.1 To advise Members of the Audit Committee on the content of the Council's Annual Governance Statement for 2025/26 and seek approval for the proposed changes to the Council's Local Code of Corporate Governance.

2 RECOMMENDATIONS

- 2.1 That Members of the Audit Committee approve the changes to the Council's Local Code of Corporate Governance (Appendix 1).
- 2.2 That Members of the Audit Committee recommend the Council's 2025/26 Annual Governance Statement (Appendix 2) for approval by the Statement of Accounts Committee.

3 BACKGROUND

CIPFA/SOLACE Framework and Guidance

- 3.1 In 2006, CIPFA/SOLACE published the Delivering Good Governance in Local Government: Framework and Guidance. In April 2016, CIPFA/SOLACE

published a reviewed Framework and Guidance that reflects the International Framework: 'Good Governance in the Public Sector'. The purpose of the Framework is to support each local authority in developing and shaping an informed approach to governance, aimed at achieving the highest standards of governance in a measured and proportionate way.

- 3.2 The 2016 CIPFA/SOLACE Framework identifies seven core principles:
- A. Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of the law.
 - B. Ensuring openness and comprehensive stakeholder engagement.
 - C. Defining outcomes in terms of sustainable economic, social and environmental benefits.
 - D. Determining the interventions necessary to optimise the achievement of intended outcomes.
 - E. Developing the entity's capacity, including the capability of its leadership and the individuals within it.
 - F. Managing risks and performance through robust internal control and strong public financial management.
 - G. Implementing good practices in transparency, reporting and audit to deliver effective accountability.

Local Code of Corporate Governance

- 3.3 The Local Code of Corporate Governance is a public statement of the ways in which the Council achieves good corporate governance. This is based on the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government: Framework (2016)' and focusses on the above mentioned seven core principles.
- 3.4 The arrangements set out in the Local Code of Corporate Governance and the Annual Governance Statement provide the framework within which the Council can:
- Establish and monitor its vision and objectives,
 - Facilitate policy and decision making,
 - Ensure compliance with policies, procedures, laws and regulations,
 - Ensure the economic, efficient use of resources and secure continuous improvement,
 - Support delivery of high-quality services and effective performance management,
 - Identify and manage its risks.
- 3.5 The Council's Local Code of Corporate Governance was last reported to this Committee on 3 June 2025. The code has been reviewed and is attached for reference at Appendix 1. The changes made as a result of this year's review refresh the document for the current year, update references to the latest

governance arrangements, together with minor drafting and housekeeping amendments.

Annual Governance Statement

- 3.6 The Annual Governance Statement, at Appendix 2, is a statutory document which explains the processes and procedures in place to enable the Council to carry out its functions effectively. The statement is produced annually following a review of the Council's governance arrangements and includes an action plan to address any significant governance issues identified for 2025/26.
- 3.7 The Council has a local framework for compiling the Annual Governance Statement. Arrangements for governance in 2025/26 have been reviewed in accordance with this local framework, as outlined below:
- Review existing governance arrangements against the CIPFA/SOLACE Framework.
 - Update the Council's Local Code of Governance in accordance with this review.
 - Identify systems, processes and documentation that provide evidence of compliance.
 - Identify the issues that have not been addressed adequately in the Council and consider how they should be addressed.
 - Identify the individuals who will be responsible for undertaking the actions required and plan accordingly.
 - Prepare the 2025/26 Annual Governance Statement.
 - Consideration of the Annual Governance Statement by senior management prior to consideration by Audit Committee. The Annual Governance Statement was considered at the Senior Leadership Team meeting in May 2026.
 - In-year monitoring of the Council's status of corporate governance is carried out by Corporate Governance Group which is chaired by the Strategic Director (Chief Finance Officer).
- 3.8 Actions identified which are recommended for inclusion in the Annual Governance Statement by the Shared Internal Audit Service or are considered important in the management of certain strategic risks, are set out in the Annual Governance Statement. By adopting this approach, any concerns over key controls that have a material effect on corporate governance arrangements and associated delivery of priority outcomes should be addressed.
- 3.9 The Annual Governance Statement actions for 2025/26 are set out in the Annual Governance Statement.
- 3.10 Corporate Governance Group will monitor the delivery of governance actions, including the actions mentioned above and a six-month progress update will be reported to Audit Committee in November.

- 3.11 The signatories to the Annual Governance Statement (The Leader of the Council and the Chief Executive) must be satisfied that the Council's governance arrangements continue to be fit for purpose and that significant actions identified to enhance governance arrangements are being addressed.

2025/26 Audit Opinion

- 3.12 From the internal audit work undertaken in 2025/26, the Shared Internal Audit Service (SIAS) has provided its annual opinion to inform the Council's assessment of governance, risk management and control arrangements:

'Our overall opinion is Reasonable Assurance; meaning there is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.'

Service Assurance Statements

- 3.13 All Directors complete a Service Assurance Statement each year. The Service Assurance Statement provides assurance that governance arrangements operated effectively during the year in respect of the business units for which the Director has responsibility.

4 REASONS FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS

- 4.1 The Council's Local Code of Corporate Governance (Appendix 1) has been updated to reflect changes to the Council's governance arrangements since its last review in June 2025 and Audit Committee is required to agree the revised Local Code of Corporate Governance.
- 4.2 The Annual Governance Statement (Appendix 2) for 2025/26 must be considered by the Audit Committee before accompanying the Statement of Accounts.
- 4.3 The Annual Governance Statement is intended to provide public assurance that the Council has sound governance arrangements, including a sound system of internal control, designed to help manage and control business risk. The document is an important public expression of the arrangements the Council applies to achieve good business practice, high standards of conduct and sound governance.

5 IMPLICATIONS

Financial Implications

- 5.1 Robust scrutiny of the Council's Annual Governance Statement and Framework applied in line with best practice will further strengthen the

Council's sound base of strong financial management and assist in reducing risk.

Legal Implications

- 5.2 It is a requirement of the Accounts and Audit (England) Regulations 2015 that the council publishes an Annual Governance Statement.

Risk Implications

- 5.3 A strong internal control environment contributes to the overall effective management of the Council and will minimise the risks of the Council failing to achieve its ambitions and priorities, and service improvements.
- 5.4 Without robust governance arrangements, there are potential service continuity and reputation risk implications.

Equalities and Diversity Implications

- 5.5 Officers responsible for the delivery of any improvement actions identified will also be responsible for completion of any relevant Equality Impact Assessments.

Other Implications

- 5.6 All aspects of the work of the Council are affected by its corporate governance arrangements, as well as the Council's partners in service delivery and other agencies with which the Council shares information. External bodies in particular, need to have confidence in the way the Council operates and this can be achieved by demonstrating robust governance arrangements that are fully embedded.

BACKGROUND DOCUMENTS

- BD1 CIPFA/SOLACE, 'Delivering Good Governance in Local Government (2016 Framework and Guidance)
- BD2 CIPFA/IFAC International Framework 'Good Governance in the Public Sector (published August 2014)
- BD3 CIPFA/SOLACE, Delivering Good Governance in Local Government: Framework – Addendum, covering the annual review of governance and the Annual Governance Statement (2025)

APPENDICES

- Appendix One – Local Code of Corporate Governance (June 2026)
- Appendix Two – 2025/26 Annual Governance Statement

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**Stevenage Borough Council
Local Code of Corporate Governance**

Version:	Audit Committee June 2026
Status:	For Audit Committee June 2026
Last update to Guide	May 2026
Next review of Guide due:	May 2027

Stevenage Borough Council Local Code of Corporate Governance

This Local Code is underpinned by the CIPFA/SOLACE *Delivering Good Governance in Local Government Framework: 2016* and summarises policies, procedures, behaviours and values by which the council is controlled and governed.

The CIPFA/SOLACE *Delivering Good Governance in Local Government Framework* sets the standard for local authority governance in the UK. The concept underpinning the framework is to support local government in taking responsibility for developing and shaping an informed approach to governance, aimed at achieving the highest standards in a measured and proportionate way. The purpose of the Framework is to assist authorities in individually reviewing and accounting for their own unique approach with the overall aim to ensure that:

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

Good governance enables the Council to effectively achieve its intended outcomes, whilst acting in the public interest at all times.

The CIPFA/SOLACE *Delivering Good Governance in Local Government Framework: 2016*, sets out seven core principles of governance as detailed in the diagram below. Stevenage Borough Council confirms its commitment through the adoption, monitoring and development of this Local Code of Corporate Governance. This Code is reviewed annually by the Corporate Governance Group and the Senior Leadership Team, prior to formal approval by the Audit Committee.



This diagram illustrates how the various principles for good governance in the public sector relate to each other. Principles A and B permeate the implementation of Principles C to G

Local Code of Corporate Governance

Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

Member and Officer Codes and Protocols

The standards of conduct and personal behaviour expected of Members and Officers of the Council, its partners and the community, are defined and communicated through codes of conduct and protocols, such as Member/Officer Protocols, Officers' Code of Conduct and Members' Code of Conduct.

There is an expectation that Members will have regard for the seven principles of public life (the Nolan Principles), as set out in Section 26 of the Localism Act 2011. The seven principles of public life are selflessness, integrity, objectivity, accountability, openness, honesty and leadership. These principles are readily accepted by the Council as underpinning all local government activity.

Organisational values and behaviours

The Council has adopted a set of organisational values and these are underpinned by a behaviour framework for staff. The values are included in our strategic plan (Making Stevenage Even Better 2024-27), all staff development programmes and in the Appraisal and Personal Development process. Our values are:

- Excellent – We want to be an excellent council that provides value-for-money services that people in Stevenage want. We will set ourselves high standards and always work efficiently.
- Caring – We will respect, listen to, and look after local people, especially the most vulnerable. We will treat our colleagues with care and respect.
- Responsive – We will make sure we react when people tell us things, and we will do our best to fix things first time. We will aim to understand the kind of services that people want so that we can either provide them or support people to do things themselves.
- Straightforward – We will make things clear and simple to understand, so we won't use jargon or complicated words. And we will be open and honest with everyone we work with.
- Innovative – We will look for new ways to do things, different ways to solve problems and opportunities to work commercially. Where we can't do things ourselves, we will work with our partners on joint projects.
- One team – We are one Council and one team. We will talk to our colleagues, help each other and work together to achieve the best results that we can.

Complaints regarding Member Conduct

Complaints about Members and allegations that a Member has breached the Code of Conduct would be dealt with by the Standards Committee and the Borough Solicitor (Monitoring Officer) under the Localism Act 2011. In addition, the Council has appointed an Independent Person, to consult on alleged breaches to the Member Code of Conduct.

Complaints regarding Officer conduct

Allegations that an officer has breached the Employee Code of Conduct are dealt with by the officer's Line Manager in the first instance, and, if escalation is required, the council's Disciplinary Policy and procedures would be instigated.

Constitution

The Council has an approved Constitution which details how the Council operates, how decisions are made, including delegation of decisions and the procedures that are to be followed to ensure

that these are efficient, transparent, lawful and accountable to local people. Each of the Council's member committees have terms of reference and these are reviewed and updated to reflect any changes to legislative and regulatory requirements.

Standards Committee

The Council has a Standards Committee to ensure the promotion and maintenance of high standards of conduct by members and co-opted members of the Council. The terms of the reference for this committee are contained in the Council's Constitution.

Information needs of Members

Pre-committee briefings are held with Committee Chairs prior to committee meetings (as required). The Leader and Chief Executive have regular one to one meetings. The leaders of opposition groups also have regular meetings with the Chief Executive. Strategic Directors and Directors meet with their relevant Portfolio Holders on a regular basis to brief them on all aspects within their remit.

Regulation Guidance

The Council has developed policies and procedures to ensure that its officers act in accordance with relevant legislation in the performance of its functions, e.g.

- Anti-fraud and Corruption Policy
- Register of Interests
- Register of Gifts and Hospitality
- Whistle-Blowing Policy
- Contract Procedure Rules
- Financial Regulations
- Corporate Procurement Strategy
- Anti-Bribery Policy
- Fraud Sanctions Policy
- Anti-Money Laundering Policy

Member and Officer Training

Member and Officer Induction and training ensures Members and Officers are aware of their legal and ethical responsibilities.

Chief Financial Officer

The role of the Chief Financial Officer conforms to that set out in the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2015).

Monitoring Officer

The role of the council's Monitoring Officer (Borough Solicitor) conforms to Section 5(1) of the Local Government and Housing Act 1989.

Customer Feedback

A customer feedback system is in place to record feedback and complaints – learning from feedback & complaints facilitates effective monitoring of information provided by customers to review service quality. The Council uses Gov-metric to identify customer satisfaction with council services.

Regulation of Investigatory Powers Act 2000

The Council ensures the requirements of the above Act are followed for any direct covert surveillance which is carried out and any such activity is reported quarterly to Corporate Governance Group and is reflected in the Annual Governance Statement. All authorising officers receive training in accordance with the Act.

Principle B: Ensuring openness and comprehensive stakeholder engagement

Partnership Arrangements

The Council has the following key Partnerships:

- Stevenage Together (and its subcommittees: SoSafe Community Safety Partnership, Social Inclusion Partnership, Healthy Stevenage Partnership, Stevenage Works Strategic Partnership)
- Everyone Active
- Stevenage Development Board

Annual Report

An Annual Report is published that sets out the Council's achievements against the outcomes and priorities in the Corporate Plan, reporting progress over the last year against planned objectives and setting out future plans.

Communication and Engagement

The Council has a Co-operative Neighbourhoods Strategy as well as a Resident Engagement Strategy which provides a clear overview of ways in which the Council engages with residents.

Stevenage Chronicle, which is the Council's quarterly magazine for residents, provides the latest information about Council initiatives and services, community news and events.

The Council uses a variety of response methods, including its website, social media and traditional methods such as surveys and focus groups to communicate with its residents and stakeholders.

A Residents' Survey is carried out every three years inviting residents to share their views on the town and Council services. The results are used to inform future service priorities and resource allocation, including budget setting. The findings of the most recent survey were presented to Cabinet in January 2026. Further information can be found in the papers published for that meeting, available on the Council website.

Housing tenant surveys, including the annual Tenant Satisfaction Measures (TSM) survey, are carried out as required, and performance is tracked through the quarterly performance reports.

The Chief Executive has a programme of staff communications, which includes regular staff briefings to brief and involve staff in the decisions that affect the future direction of the Council.

The Council's intranet also provides staff with updates, news, blogs and information.

Co-operative Inclusive Economy Charter

The Council has a Co-operative Inclusive Economy Charter to encourage residents and businesses to work together to help protect Stevenage's economy and support the Council's approach to Community Wealth Building.

Social Value Portal

The Council uses a social value portal to monitor, measure and manage the tendering and delivery of social value through contracts and other business-related activities. The aim of this is to understand what value business brings to society, according to the principles of the Public Services (Social Value) Act 2012. The Social Value Portal uses the National Social Value Measurement Framework, also known as the National TOMs (Themes, Outcomes Measures), to measure social value. The National TOMS framework was developed by the National Social Value Taskforce and was the result of extensive consultation across its members and is endorsed by the Local Government Association.

Stakeholder attendance at Council meetings

The press and public are admitted to all Council, Cabinet and Committee meetings, subject to the Access to Information Rules in Part 4 of the Council's Constitution. Cabinet, Council and Overview and Scrutiny meetings continue to be recorded and are available via YouTube which means that members and the public can view meetings at a time convenient to them. Where there is a possibility that business may be considered in private (Part 2), the Monitoring Officer will review the justification and advise on whether there is a legitimate reason to exclude the public.

Decision making practices

Reports are produced on a standard template to prompt officers to take a structured approach to report writing, to help facilitate understanding and ensure they are supported by a comprehensive assessment of the legal, financial, risk and other implications of any proposed recommendations. All reports with legal or financial implications are checked by the Borough Solicitor/Chief Financial Officer prior to consideration at committee. Other professional advice (where sought) is referred to in the report.

The Council complies with its responsibilities as set out in the Constitution in relation to notice of meetings, publication of agendas and reports and access to information reflect the Local Authorities (Executive Arrangements) (Meetings and Access Information) (England) Regulations 2012.

Publication Scheme

The Council aims to make as much information available on its website through its Publication Scheme. Exceptions to this are in relation to information that is subject to the exemptions set out in the Freedom of Information Act.

Statement of Community Involvement

The Planning and Compulsory Purchase Act 2004 requires all local authorities to prepare a Statement of Community Involvement (SCI). The Council's SCI sets out a framework to ensure that comprehensive and effective public engagement takes place throughout all stages of the planning process.

Shared Service arrangements

The council has established shared service arrangements in order to provide service delivery benefits and added value, with other Hertfordshire local authorities as outlined below

- Internal Audit
- Housing Benefits and Local Taxation
- ICT
- Anti-Fraud
- Building Control
- Legal
- Hertfordshire Home Improvement Agency
- Procurement
- Payroll

Shared service arrangements for all the above shared services involve both Member and senior management oversight from all participating partners.

Research and benchmarking

The Housing Service is a member of HouseMark which delivers a robust and sophisticated data analysis and benchmarking service.

A number of other services use research and benchmarking to inform service delivery.

Principle C: Defining outcomes in terms of sustainable economic, social and environmental benefits

Corporate Plan:

The Council's Corporate Plan: Making Stevenage Even Better, sets out the Council's vision and the outcomes and objectives the Council aims to achieve over the Plan's lifespan (2024-2027). It guides the strategic policy framework for the Council, ensuring that services consider the council's key priorities in service planning and resource allocation.

Equality Impact Assessments

Equality Impact Assessments are completed prior to the development and delivery of policy, strategy, projects and services or prior to making decisions that could impact on people.

EDI Policy

The Council has an agreed set of objectives to promote equality, diversity and inclusion across its services, communities and workforce in-line with the Public Sector Equality Duty (PSED) of the Equality Act (2010).

Alongside those objectives, the Council has an Equality, Diversity and Inclusion (EDI) Strategy (2022-2026) which sets out its approach to advancing equality, diversity and inclusion, including a commitment to the development and publication of an EDI Action Plan. The delivery and monitoring of EDI activity is the responsibility of the Equality and Diversity Governance Group (EDGG), the Officer Equality Group (OEG) and Senior Leadership Team Equality Champion.

Local Plan

The Local Plan sets out how Stevenage will develop in the future and guide development within the town until 2031. The Plan sets the planning policies up until 2031.

Local Development Scheme

An updated Local Development Scheme was agreed in 2025. The LDS explains:

- Which planning documents the Council intends to prepare
- The scope and subject matter of those documents
- Key milestones and timescales for preparation, consultation, examination, and adoption

Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes

Medium Term Financial Strategy

The Medium Term Financial Strategy (MTFS) is the Council's key General Fund financial planning document and sets out the Council's strategic approach to the management of the General Fund including council tax levels, capital funding and treasury management. This strategy underpins the Council's key priorities for Stevenage as set out in the Corporate Plan and other strategic documents of the Council. The key aim of the Strategy is to facilitate the Council in achieving the outcomes set out in those documents by adhering to the MTFS principles, which generates the need for Financial Security targets, identifies financial pressures and any additional resources for priorities to ensure the Council has a financially sustainable plan.

Assets and Capital Group

The Officer's Assets and Capital Group ensures effective arrangements are in place for the design and delivery of capital projects and resources.

Financial Management

Financial management arrangements conform to the governance requirements of the CIPFA Statement. The Council consults with local residents, partners and other stakeholders to seek their views on planning, prioritising and monitoring of services and the feedback has been used to inform budget setting and the council's Medium Term Financial Strategy.

Housing Revenue Account Business Plan

The Housing Revenue Account (HRA) Business Plan is the council's strategic plan for managing and maintaining its housing stock. It sets out the council's short-to-medium term plans and priorities for its housing management services and provides a long-term perspective on stock investment and financial plan. The Council's HRA Medium Term Financial Strategy looks at these plans over a five-year horizon in greater detail setting out the principles which generates the need for Financial Security targets. Monthly meetings focus on the monitoring and delivery of the HRA Business Plan.

The HRA Medium Term Financial Strategy underpins the Council's key housing priorities for Stevenage. The Council continues to work co-operatively with housing customers to help shape these priorities and associated programmes.

Council's Financial Security Group

The Council's Financial Security Group is a cross-party group that reviews the MTFs, savings and growth options prior to approval by the Cabinet and Council.

Capital Programme and Strategy

The Council has a five-year Capital Strategy. The purpose of the Capital Strategy is to show how the Council determines its priorities for capital investment, how much it can afford to borrow and sets out any associated risks. All capital schemes are regularly reviewed and prioritised to determine whether they should be included in the Capital Strategy. The Officers' Capital Group ensures that effective arrangements are in place for the design and delivery of capital projects.

Housing Asset Management Strategy

The Council also has a Housing Asset Management Strategy and action plan for implementation of the strategy over the next five years. The Strategy sets out the underlying principles which sit behind excellent asset management and the key strategic projects and programmes to ensure the council derives maximum value for its assets whilst providing high quality homes for its tenants. The Strategy will allow the Council to meet its strategic goals of having fit for purpose, safe, well maintained and well-presented housing stock, with a view to optimising housing development opportunities where appropriate.

General Fund Asset Management Strategy

The General Fund Asset Management Strategy and rolling five-year action plan guides the Council's future strategic property decisions to make sure the estate is managed sustainably and efficiently so it can adapt and remain fit for the future, and help the Council meet its strategic aims. The Strategy sets out clear financial targets to achieve during the period of the strategy to meet the Council's financial challenges. The Strategy is due for a refresh; however, the key aspirations, such as 'to acquire and hold assets that help create and support a vibrant town', 'to hold assets that help improve the quality of the environment for the benefit of local residents', and 'to look at ways of releasing and developing our land assets to enable the Council to provide high quality homes for our residents', remain relevant.

Co-operative Commercial and Insourcing Strategy

The Council's Commercial and Insourcing Strategy 2023-2026 outlines the Council's approach to operating more commercially. This will be achieved through maximising opportunities to insource services, the delivery of business process improvements and the generation of new or enhanced sources of revenue. The Commercial and Investment Working Group provides strategic direction to enable, oversee and support the development of co-operative commercial and insourcing programmes of work.

Budget Monitoring

Key Financial Indicators are reported to senior management. The Council undertakes a complete review of all revenue and associated budgets on a quarterly basis and any budget changes are reported quarterly to Cabinet. Directors receive regular budget monitoring reports and meet regularly with their Finance Business Partners.

Member Financial Training

Statement of Accounts and Treasury Management training is carried out as required for Audit Committee and Statement of Accounts Committee members.

Service Planning

All the Council's key services have an annual Service Plan which set out the objectives of the service for the forthcoming year. The plan contains information about the service's performance targets and corporate priorities programme and milestones. It considers the risks, staff development activities, equality, budgetary and workforce considerations that will inform and influence service delivery throughout the year.

Principle E: Developing the entity's capacity, including the capability of its leadership and the individuals within it

Developing Member and Officer Capacity and Capability

The Council uses a Human Resources Management system to support workforce planning, training, development and the implementation of the Council's competency framework structure. The Council's Competency Framework provides a map of behaviours, as well as the skills, that are valued and recognised by the Council.

The Council has a number of measures and workstreams in place to ensure member and officer capacity and capability. These include:

- A workforce planning process
- An HR Business Partnering service which supports the development and implementation of workforce plans
- A member development programme and a member induction programme
- Corporate Learning and Development Programmes
- A dynamic real time Appraisal Policy and Procedure (REAL Conversations)
- An Apprenticeship programme
- E-learning for new and existing staff
- Induction training via e-learning and targeted induction training.
- Health and wellbeing support programme

Job Descriptions

Job descriptions for senior management roles specify that they must support the Council's Cabinet in its strategic leadership role, providing clear, timely and effective advice and support as appropriate on strategic issues and initiatives.

Member/Officer Protocols

The Council has a 'Protocol for Relationships between Members and Officers' which has been approved by the Council's Standards Committee who monitor its operation.

Principle F: Managing risks and performance through robust internal control and strong public financial management

Risk Management Policy and Guide

The council has a Risk Management Policy and Guide. Member and Officer risk training is provided as required. The Policy is reviewed every two years (unless required sooner).

Strategic Risk Management

Strategic risks are linked to the Council's ambitions and priorities. The Strategic Risk Register is monitored, on a quarterly basis, by senior management to ensure levels assigned and mitigation proposed is appropriate and being delivered, then considered at Audit Committee. The Resources Portfolio Holder is the Council's nominated Member Risk Management Champion and assists with embedding risk management in the business of the Council.

Operational Risk Management

Operational risk registers are developed and monitored by the relevant Director. Action plans are developed to mitigate key risks and delivery monitored. Operational risks are subject to review and oversight through the Corporate Risk Group to ensure consistency, appropriate challenge, and alignment with the Council's risk framework. Any risks identified for escalation to strategic level are added to the quarterly review of the Strategic Risk Register.

Programme Risk Management

Governance arrangements are in place to oversee risks associated with significant programmes and capital schemes. Risks are added to the Operational or Strategic Risk Register where appropriate.

Corporate Risk Group

A Risk Management Group meets quarterly to oversee and review the reporting process and the development of the Council's approach to risk. The Chair of Audit Committee and the Members' Risk Champion are members of this group.

Corporate Governance Group

A Corporate Governance Group meets four times a year to consider the governance framework from the perspective of the seven core principles of corporate governance. Corporate Governance Group reviews the Council's compliance with the behaviours that make up the seven core principles of corporate governance and monitors any actions identified in order to maintain compliance.

Service Assurance

At business unit level, assurance of compliance with the principles of good governance requires all Assistant Directors to complete, certify and return a Service Assurance Statement each year. Progress against service governance actions identified as a result of this review are monitored and the findings inform the Annual Governance Statement.

Performance monitoring

The Council's approach to performance management demonstrates a clear link between service delivery and the strategic objectives in the Making Stevenage Even Better Corporate Plan. By aligning performance measures and priorities under the 5 strategic priorities a 'golden thread' linking what the Council delivers, to the fulfilment of its strategic outcomes can be clearly seen.

Senior management and Cabinet receive a quarterly corporate performance report. Improvement activity for the measures that are not achieving or forecast not to achieve target are discussed by senior management quarterly prior to Cabinet.

Data Quality

The Council has a Data Quality Policy which outlines the Council's commitment to ensuring data quality and arrangements that are in place to monitor the data quality of performance data. Each performance measure has a data quality checklist to ensure the integrity of the data being reported.

Data Sharing

Data processing protocols and agreement exist for Council services which are required to share data with other bodies.

Overview and Scrutiny

The Council has an Overview and Scrutiny Committee and two Select Committees. The terms of reference of the Scrutiny committees meets statutory regulations. All Cabinet decisions are subject to call-in by the Overview and Scrutiny Committee unless there is an overriding reason for urgency.

Audit Committee

Audit Committee, constituted in line with CIPFA best practice, considers internal and external audit matters, as set out in the Council's Constitution. The Committee is supported by an independent representative. The Committee receives training on the Statement of Accounts and Treasury Management processes as required.

Anti-Fraud and Corruption

A Shared Anti-Fraud service provides a robust and resilient fraud prevention, detection, and investigation service in relation to non-benefit and corporate fraud. The service updates Audit Committee every quarter on the work it has carried out.

The Council's Anti-Fraud and Corruption and Whistle-Blowing Policies as well as Anti-Bribery, Anti-Money Laundering and Fraud Sanctions policies are all available on the Council's intranet.

Information and Records Governance

Overall responsibility for information management at the Council has been assigned to the Council's Records Governance Manager, who is also the Council's Data Protection Officer.

Information governance matters are reported to the Council's Technical Design Authority and Corporate Governance Group. Data protection breaches are reported quarterly to the latter.

The Council has a suite of information governance related policies which are reviewed on a regular basis to ensure they are compliant with the regulations and good practice.

The Council has a Senior Information Risk Officer who is a senior officer with individual responsibility for managing departmental information risks.

Health and Safety

To ensure and maintain corporate wide oversight and clarity on health and safety compliance and performance across the Council, a corporate health and safety governance structure is in place that provides assurance to senior management that health and safety assessments and activity across the Council are being effectively managed. Embedding of the Health and Safety framework is being achieved by a process of internal and external audits, peer reviews, shadow health and safety inspections, risk assessment reviews, training to upskill managers, health and safety group meetings, hazard monitoring and action plans.

Business Continuity

The Council has business continuity plans for all of its key services and a Corporate Business Continuity Plan is in place to manage the corporate response to an incident.

Financial Regulations and Contract Procedure Rules

Financial Regulations and Contract Procedure Rules are reviewed as required, with any proposed amendments put forward to Council for approval.

Assurance Framework

The Council operates an assurance framework aligned to the three lines model, through which the Senior Leadership Team obtains assurance over governance, risk management and internal control. First line assurance is provided by management through service planning, performance reporting, operational risk management and annual Service Assurance Statements. Second line assurance is provided through corporate risk management, compliance and information governance arrangements, with oversight through established governance groups. Independent third line assurance is provided by internal audit, external audit and other inspection or regulatory activity. Together, these arrangements support effective oversight, challenge and accountability.

Principle G: Implementing good practices in transparency, reporting and audit to deliver effective accountability

Annual Report

An Annual Report is published that sets out the Council's achievements against the outcomes and priorities in the Corporate Plan, reporting progress over the previous year against planned objectives and setting out future plans.

Annual Governance Statement

The Council produces an Annual Governance Statement, which is reported to Audit Committee and approved by the Statement of Accounts Committee. The Annual Governance Statement contains information regarding the effectiveness of the Council's governance, risk management arrangements and internal control, including an opinion provided by the internal auditor.

The Council monitors governance arrangements for shared services and this is reflected in the Annual Governance Statement.

Data Transparency Code

Information required for publication in Part 2 of the Code is where possible published on the Council's website and updated in line with publication guidelines.

Publication Scheme

The Council aims to make as much information available on its website through its Publication Scheme as possible. Exceptions to this will be information that is subject to the exemptions set out in the Freedom of Information Act.

Internal Audit

The Council's internal audit provision is delivered by the Shared Internal Audit Service (SIAS) hosted by Hertfordshire County Council. The service complies with CIPFA's Statement on the role of the Head of Internal Audit and operates to Public Sector Internal Audit Standards.

The Head of Assurance confirms to Audit Committee the 'Fitness for Purpose' of internal audit to carry out the work that informs the assurance opinion each year.

For each audit, SIAS issues a Final Audit Report and this is signed off by management together with an agreement to implement the recommendations that have been made. Progress regarding implementation of audit recommendations is monitored by the Corporate Policy and Business Support Team—and areas of concern are escalated to Corporate Governance Group/Corporate Risk Group.

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

Website

The Council's website follows common web standards and government guidelines to the World Wide Web Consortium Web Accessibility Initiative's 'Double A' standard.

Statement of Accounts

The Statement of Accounts, which are available to the public, contains the Council's final accounts for the year and gives financial information on all the services, including shared services, provided by the Council during the year, as well as the Council's financial position at the year end. The Statement of Accounts is reported to Members at the Statement of Accounts Committee meeting and published annually as per statutory deadlines/requirements.

Annual Audit Letter

Each year the Council's external auditors, in their Annual Audit letter advise whether they consider the council's financial statement gives a true and fair view of the financial position of its expenditure and income for the year.

Audit, Inspection and Regulatory Assurance

Arrangements are in place to support the timely response to, and follow-up of, internal and external audit work, inspection and other regulatory activity, with oversight through the Corporate Governance Group and Audit Committee as appropriate.

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Stevenage Borough Council's Annual Governance Statement 2025/26

Executive summary

This Annual Governance Statement summarises the results of the Council's annual review of the effectiveness of its governance arrangements for the year ended 31 March 2026.

Based on the evidence considered through the annual review, the Council concludes that its governance arrangements were fit for purpose during the year. The arrangements in place supported effective decision-making, accountability, stewardship of public resources and delivery of the Council's priorities, in line with the CIPFA/SOLACE Delivering Good Governance in Local Government Framework's seven principles of good governance.

The review identified a small number of areas where governance arrangements require further strengthening. These are reflected in the governance improvement actions set out later in this statement.

The Council remains committed to maintaining effective governance arrangements and to monitoring and delivering the agreed improvement actions during 2026/27 as part of its ongoing approach to continuous improvement.

What is Corporate Governance?

Corporate governance describes how the Council is directed and controlled to ensure it operates lawfully, transparently and in the public interest, makes effective decisions and is accountable for the use of public resources. The Council reviews the effectiveness of its governance arrangements each year through the Annual Governance Statement.

The Council's responsibility in relation to Corporate Governance

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

In discharging this overall responsibility, Stevenage Borough Council is also responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which include arrangements for the management of risk.

Stevenage Borough Council has adopted a Local Code of Corporate Governance that sets out a commitment to corporate governance and summarises the governance arrangements in place to enable the Council to monitor the achievement of its strategic objectives, to consider whether those objectives have enhanced delivery of appropriate cost-effective services and outlines the activities through which it accounts to and engages with its communities. The

Local Code reflects the core and sub-principles outlined in the 2016 CIPFA/SOLACE Framework, 'Delivering Good Governance in Local Government'.

The Council's Local Code of Corporate Governance is reviewed and approved by the Audit Committee each year. It was last approved by Audit Committee at its meeting on 3rd June 2025 and the revised Local Code is being presented to Audit Committee at its meeting in June 2026 for approval.

This Annual Governance Statement explains how the Council has complied with the Local Code, summarises the review of its governance arrangements and identifies areas of governance to be strengthened and associated actions. The Statement also meets the statutory requirements in section 6 of the 2015 Accounts and Audit (England) Regulations, which requires all relevant bodies to prepare an Annual Governance Statement.

Our assessment of effectiveness

The Council has undertaken a review of the effectiveness of its governance, risk management, and internal control arrangements for the 2025/26 financial year. This review has been informed by the following sources of assurance:

- Corporate Governance Group oversight and advice, including consideration of risks that may pose a governance concern and organisational alignment with the principles of the CIPFA Good Governance Framework.
- Service Assurance Statements completed by Directors, covering operational delivery, risk management, and compliance with governance arrangements.
- Internal Audit annual opinion (as detailed later in the report), which has evaluated the adequacy and effectiveness of the control environment.
- External assurance reports, including any reviews from our external auditors and regulatory bodies, confirming that statutory and financial responsibilities are being met, with no material weaknesses identified.

The Council has assessed its arrangements against the principles of good governance as set out in its Local Code of Governance. The review confirms that:

- The Council's governance arrangements are adequately aligned to support the delivery of planned outcomes, including statutory responsibilities and the achievement of value for money / best value objectives.
- Arrangements are in place and operating effectively to support and deliver each of the principles of good governance.
- The core arrangements for the Local Code are operating effectively.

Where governance arrangements are not operating effectively, these have been identified as areas for improvement, as detailed later in the report.

The Governance Framework summarised in this Statement has been in place for the year ended 31 March 2026 and up to the date of approval of the Statement of Accounts.

Overall Opinion

Based on the review of effectiveness and the assurances received, the Council's overall opinion is that its governance arrangements are generally effective, providing a robust framework to support the delivery of its objectives. The draft AGS has been reviewed by the Corporate Governance Group and Senior Leadership Team, and the statement is due to be formally approved by the Audit Committee alongside the approval of the Statement of Accounts.

Internal Audit Arrangements

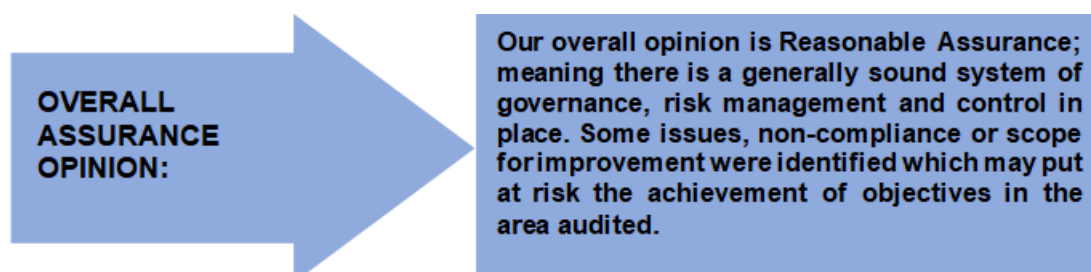
Annual Audit Coverage

The Council's Internal Audit coverage is planned and delivered by the Shared Internal Audit Service (SIAS) hosted by Hertfordshire County Council. It is managed by the Client Audit Manager. Internal audit coverage is determined through an established annual planning approach, which is influenced by external regulatory requirements and the strategic and operational risks of the Council. By reviewing the Council's systems of internal control, risk management and governance in accordance with an approved Internal Audit Plan, the SIAS contribute to the Council's corporate governance framework.

The SIAS operates to defined professional standards, i.e. the Global Internal Audit Standards and the Client Audit Manager reports to the Council's Strategic Director (S151 Officer) providing updates on internal audit matters at regular liaison meetings. The Client Audit Manager provides an independent opinion on the adequacy and effectiveness of the system of internal control, and this is reported annually to Audit Committee. The main responsibility of the SIAS is to provide assurance and advice on the internal control systems of the Council to both Management and Members. The SIAS reviews and appraises the adequacy, reliability, and effectiveness of internal control within systems and recommends improvement where necessary. It also supports management in developing systems by providing advice on matters pertaining to risk and control.

2025/26 Audit Report

The Client Audit Manager's Annual Internal Audit Report and Assurance Statement is being reported to the Audit Committee in June 2026. From the internal audit work undertaken in 2025/26, the SIAS can provide the following assurance on the adequacy and effectiveness of the Council's control environment:



Review of Effectiveness of Systems of Internal Audit

As part of demonstrating the efficiency and effectiveness of the internal audit activity and identifying opportunities for improvement, the Head of SIAS must develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity. This includes an annual self-assessment undertaken by the Head of SIAS against the Global Internal Audit Standards. The self-assessment concluded that the system of Internal Audit employed at Stevenage Borough Council is effective.

In addition, the Standards require that an external assessment or peer review is undertaken at least once every five years. An independent peer review was undertaken in 2021/22, which concluded that SIAS 'partially conforms' to Standards, including the Definition of Internal Auditing, the Code of Ethics and Standards. Key recommendations made in the peer review were addressed in year, permitting SIAS to 'generally conform' to Standards. 'Generally conforms' was the highest opinion within the scale of three ratings, and the peer review also identified areas of good practice and high standards. A new independent peer review is being undertaken during 2026/27.

The annual performance indicators for the SIAS are set by the SIAS Board which is comprised of the Chief Finance Officers from the client authorities within the partnership. The table below sets out the SIAS performance against the performance indicator relating to planned days delivery and planned projects delivery by 31 March 2026.

Indicator	Target 2025/26	Actual to 31 March 2025	Notes
1. Planned Days – percentage of actual billable days against planned chargeable days completed (excludes unused contingency)	95%	97%	281 days delivered out of the 290 days planned
2. Planned Projects – percentage of actual completed projects to draft report stage against planned completed projects by 31 st March 2026	90%	90%	26 projects to draft or final report from the 29 planned

The assurance arrangements conformed with the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit, as demonstrated through the assessment in the SIAS Annual Assurance Statement and Internal Audit Annual Report being reported to Audit Committee in June 2026.

CIPFA / SOLACE Governance Principles Reviews

This section outlines the seven governance principles established in the CIPFA/SOLACE framework, Delivering Good Governance in Local Government, and details the arrangements in place that demonstrate the Council's compliance with these principles and by extension the Council's own Local Code of Corporate Governance. The review considers not only whether governance arrangements are in place, but whether they are operating effectively in practice and supporting the achievement of the Council's intended outcomes.

Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

Sub-principles:

- *Behaving with integrity*
- *Demonstrating strong commitment to ethical values*
- *Respecting the rule of law*

The standards of conduct and personal behaviour expected of Members and Officers, partners and the community are defined and communicated through Codes of Conduct and Protocols and the Council's Constitution. Induction arrangements are in place to ensure that Members and Officers are aware of their responsibilities under these codes and protocols. The Council's Local Code of Corporate Governance is reviewed annually and sets out the expectation that Members will have regard for the seven principles of public life (the Nolan Principles), as set out in Section 26 of the Localism Act 2011. The seven principles of public life are selflessness, integrity, objectivity, accountability, openness, honesty and leadership. These principles are readily accepted by the Council as underpinning all local government activity.

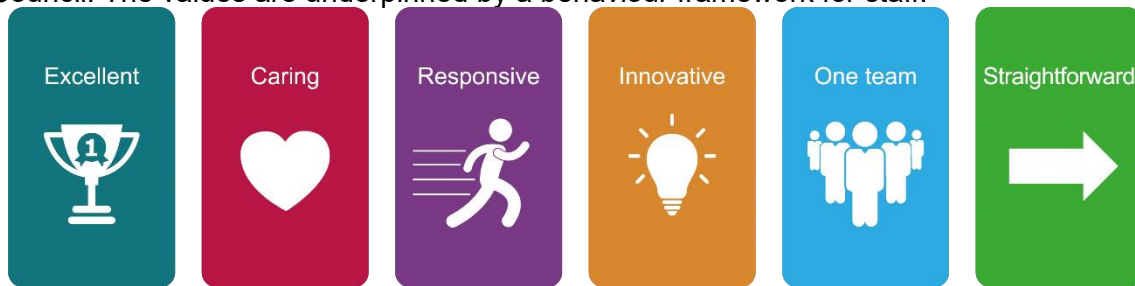
All Members make declarations of interest on appointment and are reminded to review and update their declarations if circumstances change. Minutes of meetings demonstrate that declarations of interest are sought and appropriately handled at each meeting.

The Council's website outlines the arrangements for making a complaint that a member of the authority has failed to comply with the Code of Conduct and sets out how the authority will deal with such allegations. Complaints about Members and allegations that a Member has breached the Code of Conduct would be dealt with by the Standards Committee and the Borough Solicitor (Monitoring Officer) under the Localism Act 2011. The Council has appointed an Independent Person, to be consulted on any alleged breaches to the Member Code of Conduct.

The Council has a Standards Committee to promote and maintain high standards of conduct by Members of the Council and deal with any allegations that a member is in breach of the Council's Code of Conduct and to consider changes to the Code as required.

The Constitution is reviewed annually and approved by Full Council, ensuring it remains fit for purpose. The Constitution sets out the employment procedures for the Head of the Paid Service, Strategic Directors, Directors, Monitoring Officer and Chief Finance Officer. The Council's three statutory officers – the Head of Paid Service, the Monitoring Officer, and the Chief Finance (Section 151) Officer – meet regularly to ensure they are able to fulfil their statutory responsibilities effectively and that governance arrangements continue to support lawful and ethical decision-making.

The Council's has agreed six organisational values, which guide and inform the work of the Council. The values are underpinned by a behaviour framework for staff.



The Values are embedded into Member and Officer induction, regular officer meetings with their managers (REAL conversations), the Modern Member training programme, and management development programmes. A set of desired behaviours associated with each of the Values has been developed and forms part of the Council's appraisal process for officers.

The Council has a Whistleblowing Policy which is based on the Public Interest Disclosure Act 1998, which details the arrangements through which employees can raise whistleblowing concerns. The Council also has Anti-Fraud and Corruption, Anti-Money Laundering, Anti-Bribery and Fraud Sanctions policies. The policies are available on the Council's website and intranet, with details on how to report suspected fraud. These policies are regularly reviewed and recently were updated to include reference to the Economic Crime and Corporate Transparency Act as appropriate.

To address ethical considerations relating to the use of artificial intelligence, the Council is establishing a dedicated group to provide oversight and challenge. The group will support responsible use of AI and help ensure that emerging technologies are implemented in line with the Council's values and governance standards.

Principle B: Ensuring openness and comprehensive stakeholder engagement

Sub-principles:

- *Openness*
- *Engaging comprehensively with institutional stakeholders*
- *Engaging with individual citizens and service users effectively*

Stevenage Borough Council is committed to finding better ways of working for, and with, local people for the benefit of the local community whilst operating in an open and transparent manner.

The Council regularly provides local residents, partners, and other interested parties with opportunities to influence the planning, prioritisation, and monitoring of services. A variety of methods are used to engage the local community, such as surveys and questionnaires, community events, focus and action groups and stakeholder conferences.

In relation to tenants and leaseholders, the Resident Engagement Strategy 2024-2027, published in July 2024, outlines how the Council will engage with those who live in properties owned by Stevenage Borough Council to ensure they have the opportunity to scrutinise, influence, and contribute to the services they receive. This Strategy reflects the Council's commitment to ensuring that 'tenant voice' is embedded across the Council landlord service. Dedicated tenant engagement resource has recently been put in place and performance is

tracked via the relevant Tenant Satisfaction Measures with positive progress seen against both TP06 (Proportion of respondents who report that they are satisfied that their landlord listens to tenant views and acts upon them) and TP07 (Proportion of respondents who report that they are satisfied that their landlord keeps them informed about things that matter to them) over the course of the year.

The Equality, Diversity, and Inclusion (EDI) Action Plan for 2025/26 sets out 18 actions across six key objectives to ensure fair access to services and support the diverse needs of the local population. The Council has an internal governance structure to oversee EDI activity which includes a dedicated SLT Equality Champion and Cabinet Member.

The Stevenage Together partnership is a collaborative initiative designed to bring together a wide range of local stakeholders, including public sector bodies, businesses, and voluntary organisations, to work on the town's most significant strategic issues. Its ethos is to foster innovative ways of working together, in order to improve the lives of people who live work and visit Stevenage. Stevenage Together is supported by four themed sub-groups:

- SoSafe Community Safety Partnership
- Social Inclusion Partnership
- Healthy Stevenage Partnership
- Stevenage Works Strategic Partnership

This partnership ensures that a diverse range of perspectives and expertise is considered by the Council. Topics covered this year have included Climate Change and Local Government Reorganisation.

In addition, the Council has established shared service arrangements in order to provide service delivery benefits and added value with other Hertfordshire local authorities across a range of areas including IT, revenue and benefits, legal, procurement and internal audit and Anti-Fraud. Governance arrangements vary to some extent based on the nature of the service and structure of the shared service but involve Member and senior management oversight from all participating partners. The shared services are also considered for inclusion in the annual internal audit programme.

The Council maintains a commitment to openness and transparency in all its processes. Council meetings are open to the public, and relevant papers are published in advance to ensure that residents and other interested parties can access information about key decisions, unless there are specific legal or operational reasons for withholding them. In addition, Cabinet and Council meetings are made available to watch online. This approach helps foster accountability and trust, allowing residents to engage with and scrutinise the decision-making processes that affect them.

A Resident Survey was conducted in 2025, with the findings presented to Cabinet and shared internally. The results provide valuable insight into residents' perceptions of Council services and help inform service priorities. The findings have also been discussed at relevant service team meetings, including Community Safety and Environment and Leisure, and will be used as an evidence base to help target interventions such as Pride in Place. The findings of the most recent survey show that, compared with 2021, overall satisfaction with the Council has increased and the percentage of respondents who feel informed about Council services has improved. Perceptions of value for money have declined, although all three measures remain above the LGA benchmark.

Through these initiatives, the Council maintains a strong commitment to openness and accountability, ensuring that decisions are informed by a broad range of voices and that residents are involved in shaping the services they receive.

Principle C: Defining outcomes in terms of sustainable economic, social, and environmental benefits

Sub-principles:

- *Defining outcomes*
- *Sustainable economic, social and environmental benefits*

The Council's long-term vision is articulated in the three-year Corporate Plan: Making Stevenage Even Better, which was approved in February 2024 and implemented April 2024. The plan outlines the Council's strategic priorities and intended outcomes, shaped by feedback from residents and local partners and taking account of local demographic trends. It builds upon the previous Future Town, Future Council programme and is supported by key enabling strategies, including the Medium-Term Financial Strategy (MTFS) and Capital Strategy, to ensure delivery is financially sustainable.



The Corporate Plan sets out five strategic priorities:

- Tackling Climate Change
- More Social, Affordable and Good Quality Homes
- Balancing the Budget
- Thriving Neighbourhoods
- Transforming Our Town

Each strategic priority has specific intended outcomes, key performance indicators, and milestones. These flow through into the annual service planning process, and in turn influence staff members' annual objectives. This format provides a structured framework to track progress and ensure accountability.

Three cross-cutting themes - Equality, Diversity and Inclusion, Health and Wellbeing, and Technology and Innovation - are embedded across all priority areas. The inclusion of cross cutting themes represents the need to raise awareness of these areas when designing and delivering services.

The Council's Climate Change Strategy underpins the ambitions set out in the Making Stevenage Even Better Corporate Plan in relation to Tackling Climate Change and outlines actions to support both organisational and district-wide decarbonisation. Progress is monitored through regular reporting and a public-facing dashboard, with governance oversight maintained by SLT and Cabinet.

The concept of social value is embedded within the Council's commissioning and procurement activity. The Social Value Portal, underpinned by the National TOMs (Themes, Outcomes, Measures) framework, is used to assess and monitor the wider economic, social

and environmental benefits delivered through contracts. This approach ensures that procurement decisions contribute meaningfully to the Council's broader strategic aims.

Taken together, these arrangements provide assurance that the Council's outcomes are clearly defined and that there is an integrated governance framework in place to support their achievement in a sustainable, accountable and inclusive manner.

Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes

Sub-principles:

- *Determining interventions*
- *Planning interventions*
- *Optimising achievement of intended outcomes*

Progress against the delivery of the corporate plan is monitored and tracked via a suite of performance measures that are reported to Cabinet on a quarterly basis. The report highlights achievements as well as identifying areas for improvement. Where specific areas requiring improvement have been identified, dedicated performance clinic sessions have been held to explore the challenges and solutions in more detail.

The Council's report template is designed to help officers take a structured approach to report writing, including a comprehensive assessment of the legal, financial, risk, climate change, LGR and other implications of any proposed recommendations. All reports with legal or financial implications are checked by the Monitoring Officer or Chief Financial Officer as appropriate prior to consideration at committee. All Cabinet and Council reports are reviewed by the Clearance Board consisting of Strategic Directors and Monitoring Officer.

The Balancing the Budget programme continues to enhance the financial resilience of the Council by ensuring resources are being used effectively and efficiently and through the development of commercial efficiency including business change and entrepreneurial skills and services.

The Council's system of internal financial control is based on clear financial regulations, appropriate management information and effective oversight, underpinned by defined responsibilities, separation of roles and a suitably skilled workforce.

The Medium-Term Financial Strategy (MTFS) and HRA 30-year Business Plan provide the framework for the Council's financial planning, ensuring that resources are aligned with strategic priorities. It is reviewed at least annually (more often if financial risks are heightened) with the projected funding needs and financial pressures identified to support long-term sustainability.

Overall, the Council's governance arrangements ensure that decisions are made based on thorough analysis and are subject to ongoing scrutiny and challenge, both at an officer and Member level, contributing to the achievement of intended outcomes.

Principle E: Developing the entity's capacity, including the capability of its leadership and the individuals within it

The sub-principles are:

- *Developing the entity's capacity*
- *Developing the capability of the entity's leadership and other individuals*

The Council supports both Members and Officers to develop the skills, knowledge and capacity required to deliver effective governance and high-quality services. Newly elected Members undertake an induction programme, including briefings with key officers, to support their understanding of the Council's functions and responsibilities. Ongoing development is provided through the 'Modern Members Programme' (MMP), which offers training tailored to Members' roles, including budget management, legislative updates and topical briefings. The programme is reviewed and developed in response to Member feedback.

For officers, the Council's 'Workforce Strategy - People, Even Better' - sets out a framework for building a modern, skilled, and inclusive workforce aligned with the Council's Corporate Plan. It focuses on five key priorities: ways of working, attracting and retaining the best people, engagement and communication, inclusion and wellbeing, and organisational development.

The Council uses a HR Management system to support workforce planning (aligned with annual service and financial planning), training, development and the implementation of the Council's competency framework structure. The Council's Competency Framework provides a map of the behaviours and skills that are valued and recognised by the Council.

Performance management is supported through a suite of HR policies and the REAL Conversations approach - a rolling programme of one-to-one meetings between managers and staff covering objectives, development and wellbeing.

Staff feedback is collected through an annual staff survey and informs improvement activity. Staff engagement is supported through regular internal communications, Chief Executive updates, staff events and visits to teams across the organisation.

The Chief Executive and Leader meet regularly to maintain a collaborative relationship whilst recognising their distinct leadership roles.

Principle F: Managing risks and performance through robust internal control and strong public financial management

The sub-principles are:

- *Managing risk*
- *Managing performance*
- *Robust internal control*
- *Managing data*
- *Strong public financial management*

The Council's risk management and corporate governance arrangements were subject to internal audit during 2025/26 and both received 'substantial' assurance opinions. The Risk Management Policy was updated in 2025 and is supported by a practical guidance document for staff and periodic training. Strategic risks are reviewed quarterly by senior officers and reported to the Audit Committee, with operational risks managed at service level. Risk considerations are embedded into decision making through committee and officer reports, which explicitly require the consideration of key risks and impacts, and the Corporate Risk Group provides quarterly oversight of the framework.

Service planning is undertaken annually and aligns service activity to delivery of the Strategic Plan. The process produces the Council's annual performance framework, which supports oversight of delivery and performance throughout the year.

At business unit level, Directors are required to complete and certify an annual Service Assurance Statement, providing assurance on compliance with the principles of good governance. While some improvement actions have been identified through this process, none constitute a significant governance concern, and progress will be monitored through the Corporate Governance Group.

Internal financial control is supported by documented Contract Procedure Rules and Financial Regulations, which are regularly reviewed and set out the Council's approach to financial planning, budgeting, risk management, auditing, treasury management and procurement. Financial Regulations are scheduled for review in 2026.

The Council is a member of the Hertfordshire Shared Anti-Fraud Service, which provides fraud prevention and investigation services and supports training, awareness and policy development. The service reports quarterly to the Audit Committee, and the Council expects the highest standards of conduct from all those it works with.

Information governance is overseen by the Information and Records Governance Manager, who also acts as the Council's Data Protection Officer. There is regular reporting on breaches and emerging issues to the Corporate Governance Group, with significant matters escalated to senior management. A suite of policies is in place to support the safe and lawful use of data, and data protection e learning is available to staff.

Cyber security is recognised as an increasing risk across the sector. This risk is monitored through the Strategic Risk Register and is identified as an area for further improvement activity within this Annual Governance Statement.

Governance and assurance over corporate and community asset compliance is maintained through established performance and risk management arrangements. Remedial actions

arising from compliance monitoring are tracked and prioritised, with escalation through management and corporate governance structures where risks or delivery issues emerge. This provides ongoing assurance over asset safety and statutory obligations.

The Housing Revenue Account Business Plan sets out the Council's strategic approach to managing and maintaining its housing stock, including priorities for investment and long term financial planning. The Plan is reviewed regularly and was last updated in 2025/26, however the HRA remains a high risk area due to the scale of savings required from 2027/28 onwards.

The Council has two wholly owned subsidiary companies, Queensway Properties LLP and Marshgate Ltd, and one joint venture, Swingate Developments LLP. It also has interests in Broste Rivers (Hertfordshire Building Control Ltd) and Hertfordshire CCTV Partnership Ltd. While these entities operate within their own governance arrangements, they remain accountable within the Council's wider governance framework. Strengthening oversight of Council owned companies and corporate entities has been identified as an area for improvement and is addressed later in this Statement.

Principle G: Implementing good practices in transparency, reporting, and audit to deliver effective accountability

Sub-principles:

- *Implementing good practice in transparency*
- *Implementing good practice in reporting*
- *Assurance and effective accountability*

Reporting on performance, value for money, the stewardship of resources and the assessment of robust corporate governance arrangements is provided throughout the year through:

- Quarterly financial monitoring reports to Cabinet
- Quarterly corporate performance reports to Cabinet
- Annual publication of Statement of Accounts
- Publication of the Annual Governance Statement
- Publication of the Council's Annual Report
- Internal reporting of Financial KPI's to the Council's Senior Leadership Team quarterly

Performance reporting is complemented by targeted performance clinics, convened where material KPI variances arise. These sessions provide structured internal review, support timely corrective action and strengthen accountability by feeding outcomes back into ongoing reporting and governance oversight.

Compliance with the publication commitments detailed in the Local Government Transparency Code 2015 is monitored throughout the year by Corporate Governance Group.

The Council's internal audit provision is delivered by the Shared Internal Audit Service, hosted by Hertfordshire County Council. A summary of 2025/26 arrangements and the Head of Internal Audit opinion is set out in an earlier section of this Statement. Medium and high

priority actions arising from internal audits are monitored to completion by the Audit Committee and internal tracking of all internal audit actions has been strengthened in 2025/26 with the development of a dedicated internal audit report and action tracker which is monitored via Corporate Governance Group and SLT.

To support service delivery improvements, the Council welcomes constructive challenge through internal/external audit activity as well as through the work programme of Overview and Scrutiny Committee and other external review agencies and inspectorates.

The Audit Committee produces an annual report which reflects on its effectiveness over the year. The report provides an overview of how the Committee has discharged its responsibilities and highlights any areas identified for future focus or development. The report is considered by the Committee as part of its annual work programme, including at its June meeting.

The Council was subject to a Regulator of Social Housing inspection in 2024/25 and received a C2 grading. While this represented a positive outcome, areas for improvement were identified and a Provider Improvement Plan was agreed with the Regulator. Progress against the Plan is monitored on an ongoing basis, supported by regular engagement with the Regulator to provide assurance that the actions agreed are being delivered.

At the time of writing, the external audit for 2025/26 was underway.

Overall, the review has found arrangements to be effective and well aligned to the CIPFA / SOLACE governance principles, though some improvement actions have been identified to strengthen governance arrangements, as detailed later in the Statement.

How we have improved our governance arrangements in 2025/26

Following the review of governance in 2024/25, the previous AGS identified some key areas where work would be undertaken to strengthen governance arrangements. Progress against those actions is set out below.

Issue identified	Action taken
<p>Local Government Reorganisation / Devolution (<i>strategic risk</i>)</p> <ul style="list-style-type: none"> Review the capacity needed to engage effectively with the local government reorganisation process, Establish an internal governance structure to oversee the process, Following due consideration and engagement with local partners, ensure submission of required returns. <p><i>Target date:</i> <i>Next submission due November 2025</i></p>	<p>Following due process, the proposal was submitted on time. The action as originally drafted has been completed but focus has now turned to the next phase of work required to support the LGR process (see later in the Annual Governance Statement for further details).</p>
<p>HRA Business Plan (<i>strategic risk</i>)</p> <p>To ensure that medium to long-term viability of the HRA is sustainable, the following activity is planned:</p> <p>Undertake a full review of the HRA business plan and investigate saving opportunities identified through the MTFS November 2024 update.</p> <p><i>Target date:</i> <i>Review to be published November 2025</i></p>	<p>The new 30-year HRA Business Plan and financial model has been completed and was approved by Cabinet in November 2025. A number of key actions have been identified including approved options for savings for 2026/27 as well as requirements for growth that will be actioned to ensure that the plan remains sustainable.</p> <p>To strengthen oversight and governance, dedicated housing-focused senior leadership arrangements, including a Housing Senior Leadership Team (SLT), have been embedded over the year. This has provided more focused leadership and accountability for HRA-related risks and actions, ensuring that housing-specific challenges, compliance and improvement activity are monitored and addressed promptly.</p> <p>This remains a high risk area for the Council due to changing regulation, uncertainty about rent policy and ambitious savings targets required for 2027/28 and as a result remains an improvement action for 2026/27, as detailed later in the AGS.</p>

Issue identified	Action taken
<p>IT resilience (<i>strategic risk</i>)</p> <p>To manage risks relating to IT resilience, the following work is planned:</p> <ul style="list-style-type: none"> (a) Build on existing cyber security training for Staff and Members, (b) Gain Cyber Essentials certification. (c) Gain PSN certification, (d) Complete the Cyber Assessment Framework. <p><i>Target date:</i></p> <ul style="list-style-type: none"> (a) End of March 2026 (b) End of March 2027 	<p>Regular updates to the cyber security training continue to be released and completion rates remain high.</p> <p>Progress has been made towards achieving the various accreditations and cyber resilience continues to improve in the process, in advance of achieving the formal accreditations. The timeframe for this action was recognised as being multi-year from the outset, and as such, the action will be carried forward into 2026/27, as detailed later in the Statement. Additionally, following discussion with the other Hertfordshire local authorities as part of the preparation for LGR, it has been agreed that the Cyber Assessment Framework will be used as the baseline standard to support a consistent approach to IT resilience across councils.</p> <p>Oversight continues to be provided by the by ICT Partnership Board and ICT Joint Committee.</p>
<p>Balancing the budget (<i>strategic risk</i>)</p> <p>To ensure that the Council has sufficient resources to fund its medium and long-term service plans and corporate priorities, the following activity is planned:</p> <ul style="list-style-type: none"> • Find Balancing the Budget (BTB) savings and new revenue streams as part of the 2026/27 budget setting process, • Ensure robust budget monitoring and all costs are accurately forecast and profiled in year, providing budget monitoring reports to Cabinet. • Review of Fees and Charges for 2026/27 to contribute to the BTB savings. <p><i>Target date:</i></p> <p><i>A process has been implemented for the 2026/27 budget and savings will be published for approval in Q3.</i></p>	<p>2026/27 budget setting has now concluded and these actions have been completed. The Council has taken significant steps in recent years to balance its budget, and the three-year Fair Funding Settlement has strengthened the Council's financial position and provided some certainty regarding Government funding (2026/27-2028/29). Future savings targets could now be met from annual fees and charges increases rather than necessitating service reductions or cuts, subject to the projections in the MTFS being realised</p> <p>However, the Council remains mindful that substantial changes in the wider economy, such as inflationary pressures or shifts in national policy, could still impact the Council's financial outlook.</p> <p>Budget monitoring reports continue to be provided to Cabinet on a quarterly basis to ensure effective in-year oversight.</p>
<p>Housing Property Services – Contract Compliance (<i>internal audit programme</i>)</p>	<p>a) Eight of the nine contractor appointments identified to support the repairs service have been completed. The remaining appointment will be progressed through the Council's</p>

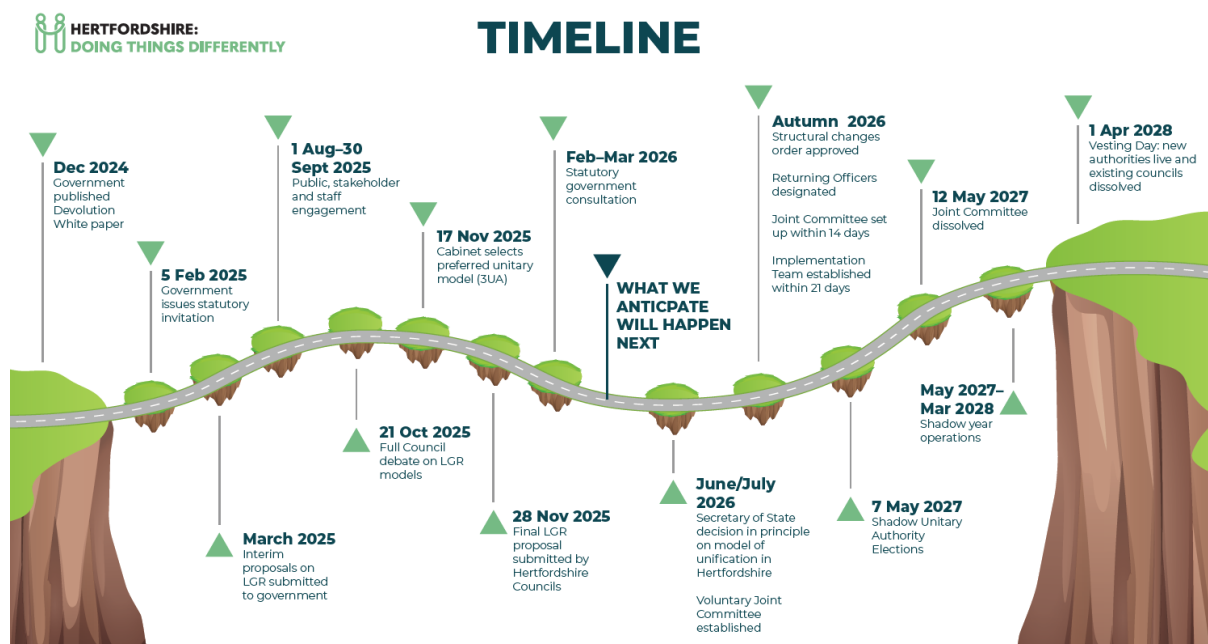
Issue identified	Action taken
<p>To improve contract compliance within Housing Property Services, the following activity is planned:</p> <p>(a) Appoint repairs and maintenance contractors to support the in-house Repairs team and a lift servicing and maintenance contractor for stairlifts, through floor lifts and hoists, etc installed in council properties following a robust procurement / appointment process, held in accordance with the Contract Procedure Rules and supported by the Corporate Procurement team.</p> <p>(b) Embed improved documentation processes in relation to contract compliance.</p> <p><i>Target date:</i> (a) Support contractors for repairs: Q1, Servicing and maintenance contract for lifting equipment: Q4 (b) To be tested through 2025/26 internal audit programme</p>	<p>established governance and assurance processes.</p> <p>b) Reasonable assurance rating from internal audit completed in Q3 and management actions agreed.</p>
<p>Constitution review (<i>review of governance principles</i>)</p> <p>Ensure a high-level targeted review of the constitution takes place and that a process is in place for this to happen on an annual basis (recognising that future reviews may be influenced by forthcoming local government reorganisation developments).</p> <p><i>Target date:</i> Q2 2025/26</p>	<p>An initial review and update was completed in May 2025, restarting the annual review process aligned with the Full Council meetings.</p>
<p>Regulator of Social Housing Inspection – Provider Improvement Plan (<i>inspection outcome</i>)</p> <p>Ensure completion of corrective actions identified in the post inspection action plan.</p> <p><i>Target date:</i> Ongoing monitoring throughout the year, as per the Regulator of Social Housing’s timetable</p>	<p>The Provider Improvement Plan continues to be submitted to the Regulator for consideration at the agreed frequency (currently quarterly), and follow-up queries are addressed and responded to as they arise. The Council remains committed to undertaking the improvement steps needed to achieve a C1 rating.</p>

Forward look on governance

The Council recognises that an effective approach to governance considers not just the issues of today, but also takes steps to prepare for the challenges of tomorrow. This section takes a forward look at some of the areas where governance needs to change or develop to meet the future needs of the Council.

Local Government Reorganisation

Local Government Reorganisation represents a fundamental change to the governance landscape for the Council through the replacement of the current two-tier arrangements with new single tier unitary authorities. A decision on the future structure in Hertfordshire is expected in 2026.



The Council has started preparing for the transition, but the scale and complexity of activity will increase once the new arrangements are confirmed. During this period, governance arrangements must support both transition activity and the continued effective operation of the Council's existing responsibilities.

While new governance frameworks will be developed for any future unitary authorities, the current arrangements need to remain robust, proportionate and flexible enough to support short-term and transitional decision-making, including effective joint working with other Hertfordshire authorities during the transition period.

Potential governance issues identified so far include:

- constraints on financial decision-making during the transition period (under Section 24 arrangements),
- service and workforce planning within an uncertain organisational and structural timeframe, and,
- the organisational capacity and capability required to manage transition activity alongside day-to-day governance and assurance responsibilities.

As a result, preparation for local government reorganisation has been identified as a key area for governance development and improvement, with specific actions set out later in this Statement.

Legislative Developments

In addition to local government reorganisation, forthcoming legislative changes will require further development of the Council's governance and assurance arrangements, particularly in relation to housing. From 2026, Phase 2 of Awaab's Law will extend statutory, time-bound duties beyond damp and mould to a wider range of serious health and safety hazards, increasing the importance of clear accountability, effective oversight and robust escalation arrangements. These changes will require continued review of governance, reporting and assurance frameworks to ensure that statutory responsibilities are clearly owned, risks are identified and monitored, and members receive appropriate assurance as compliance requirements expand over the medium to long term.

In addition, the Renters' Rights Act comes into force from 1 May 2026, introducing significant reforms to the private rented sector. Ongoing governance focus will be required during implementation to ensure compliance is fully embedded in practice and that emerging risks or capacity pressures are identified and appropriately escalated as the new regime beds in.

Planned Improvement Activity for 2026/27

Taking account of the earlier sections of the Annual Governance Statement and the findings of the annual review, this section details the areas of governance identified as requiring improvement and how this is being addressed.

Issue:	Identification of 2027/28 onwards HRA savings A new 30-year Housing Revenue Account Business Plan and financial model were agreed in 2025/26. The plan identifies savings options and growth requirements to support sustainability, however, the risk level remains very high in the context of changing regulation, uncertainty about rent policy and ambitious savings targets required for 2027/28.
Action:	To ensure that the Council has sufficient resources to fund the HRA Business Plan, the following activity is planned: <ul style="list-style-type: none"> • Identify savings required as part of the 2027/28 budget setting process, • Ensure robust budget monitoring and all costs are accurately forecast and profiled in year, providing budget monitoring reports to Cabinet.
Owner/s:	Director of Housing and Neighbourhoods, Director of Building Safety, Director of Land, Development and Neighbourhood Regeneration.
Target date:	January 2027

Issue:	Financial assurance build-back As a result of the national local audit reset, the Council published accounts for previous financial years with disclaimed audit opinions where audit work could not be completed before statutory backstop dates. While these disclaimers do not indicate identified misstatement, they limit assurance over certain historic balances that continue to roll forward into current accounts.
Action:	Work with the Council's external auditor to implement a structured programme of audit assurance "build-back" activity, focusing on high-risk balances and areas where assurance has previously been limited. This will include agreeing and delivering a comprehensive build-back plan, setting out priority areas and sequencing of work to progressively restore assurance. The aim is to re-establish a position where the Council is able to achieve unmodified audit opinions ahead of Local Government Reorganisation vesting, supporting robust financial governance as part of transition.
Owner/s:	Director of Finance
Target date:	Plan to be agreed Q2 2026/27 (subject to External Audit capacity)

Issue:	Awaab's Law Phase 2 of Awaab's Law will extend statutory, time-bound duties beyond damp and mould to a wider range of serious health and safety hazards, increasing the importance of clear accountability, effective oversight and robust escalation arrangements.
Action:	There may be the need for further governance improvement activity once government guidance is known.
Owner/s:	Director of Building Safety

Target date:	Ongoing (timing of phase 2 is not currently known).
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Issue:	Council-owned Companies During the year the Council identified the need to further strengthen governance and oversight arrangements in relation to Council-owned companies and other corporate entities, recognising the potential financial, operational and reputational impact of weaknesses in financial sustainability, performance or compliance. This need has also been highlighted through external audit work. As a result, enhanced governance arrangements have been developed, including the establishment of a Companies Oversight Board to strengthen assurance, escalation and intervention where issues arise.
Action:	Implement and operate the Companies Oversight Board as part of the Council's wider governance and assurance framework, including consistent quarterly reporting, review of risks and mitigations, and clear escalation and intervention arrangements where issues arise.
Owner/s:	S151 Officer
Target date:	Arrangements to be put in place for April 2026 and then to operate quarterly through 2026/27

Issue:	IT Resilience Cyber security and IT resilience remain a significant and persistent risk. While core controls are in place, improvement actions to strengthen resilience and gain relevant certifications are ongoing, and a small number of medium-priority IT control recommendations were identified through the external audit process. The importance of robust IT resilience is further heightened in the context of Local Government Reorganisation, where consistency, assurance and readiness across councils will be critical.
Action:	In agreement with other Hertfordshire local authorities, it has been determined that the Cyber Assessment Framework (CAF) will provide the baseline standard that councils will work towards in preparing for local government reorganisation. During 2026/27, the Council will align its IT resilience improvement activity to CAF requirements, embedding this baseline within its wider IT governance, risk and assurance arrangements. Progress will be reported to the ICT Partnership Board and ICT Joint Committee.
Owner/s:	Director of IT
Target date:	March 2027

Local Government Reorganisation

Alongside the wider forward look set out above, the Council has identified the need for a more focused consideration of governance improvement activity specifically to support preparation for Local Government Reorganisation. While formal decisions on future structures will be taken by the Secretary of State for Housing, Communities and Local Government and are expected by the summer of 2026, the transition phase will place increasing demands on the Council's governance, assurance and decision-making arrangements.

Whilst formal governance arrangements will be established for the creation of the new unitary authorities via the Structural Change Order and subsequent implementation governance and committees, the improvement actions set out below are intended to ensure that existing governance arrangements remain effective and resilient during the transition period at a time when capacity will be split across business as usual activities and new unitary establishment.

Areas of focus will include, supporting our workforce through the LGR process, to ensure they remain engaged and ready for the changes that will result from reorganisation, proactive review and management of our asset and contractual arrangements in readiness for reorganisation, preparation for the section 24 financial governance notice which will come into force during 2027/2028, and shadow election preparation.

Progress against these actions will be monitored through the Council's established governance and assurance processes.

These actions will be delivered in the context of the wider Local Government Reorganisation programme, which is expected to culminate in Vesting Day on 1 April 2028, in line with key milestones set out earlier in this Statement.

Issue:	Workforce Engagement and Change readiness in the context of Local Government Reorganisation
Action:	Implement and maintain proactive communication and engagement arrangements to support workforce understanding of the Local Government Reorganisation process and its likely impacts, so that staff remain informed, supported and engaged during the transition period. Governance arrangements will support escalation of workforce risks and capacity issues where required.
Owner/s:	Service Lead for Local Government Reform and Head of HR
Target date:	Throughout 2026/27

Issue:	Contracts and asset readiness for unitarisation
Action:	Undertake proactive review and management of the Council's contracts register to ensure it is complete, accurate and suitable to support unitarisation, including preparation for Section 24 requirements and contract novation, with appropriate oversight to ensure decision-making remains lawful during the transition.
Owner/s:	Director of Finance
Target date:	Throughout 2026/27

Issue:	Preparation for the aggregation of all services into new unitary authorities.
Action:	Implement and maintain governance and assurance arrangements to support the Council's engagement in the Hertfordshire-wide local government reorganisation programme, ensuring service design for the new unitary authorities is person centred and prevention led in line with the design principles documented within the Hertfordshire LGR submission
Owner/s:	All service leads
Target date:	Throughout 2026/27

The Council is committed to monitoring implementation of these actions in-year through the Corporate Governance Group, SLT, and as part of the next annual review.

Approval of Statement

Approval of Statement by Chief Executive and Leader of the Council

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Strategic Leadership Team, relevant officers and the Audit Committee, and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. Areas to enhance the governance framework already addressed are summarised in this Annual Governance Statement. Areas to be addressed and ensure continuous improvement are set out in the table above on pages 19-22.

We propose over the coming year to take steps to address the above matters, to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed

Date

Cllr Richard Henry
Leader of Stevenage Borough Council

Signed

Date

Tom Pike
Chief Executive of Stevenage Borough Council

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Meeting Audit Committee
Portfolio Area Resources and Performance
Date 02 June 2026



AUDIT COMMITTEE ANNUAL REPORT 2025/26

AUTHOR **ATIF IQBAL**

CONTRIBUTORS **JOE MAGGS, SIAS, SAFS, DEMOCRATIC SERVICES**

NON-KEY DECISION **JOE**

1 PURPOSE

- 1.1 To present the Audit Committee Annual Report for the 2025/26 financial year, setting out the Committee's work and providing assurance to Members on the effectiveness of the Council's governance, risk management, internal control and financial reporting arrangements.

2 RECOMMENDATIONS

That the Audit Committee:

- 2.1 Notes the content of the Audit Committee Annual Report 2025/26; and
- 2.2 Agrees that the report provides assurance to the Council on the effectiveness of the audit, governance and risk management framework during the year.

3 BACKGROUND

- 3.1 The Audit Committee is a key component of the Council's governance framework. In line with the Chartered Institute of Public Finance and Accountancy (CIPFA) guidance, audit committees are expected to provide independent assurance on the adequacy of governance arrangements, financial management, internal control and risk management processes.
- 3.2 While the Audit Committee has not historically produced a formal annual report, the introduction of this report for 2025/26 reflects a commitment to align with recognised best practice and to further strengthen transparency and accountability in the Council's governance arrangements.
- 3.3 As a matter of good governance, the Audit Committees are encouraged to produce an annual report summarising its activities during the municipal year and demonstrating how they have discharged their responsibilities. This approach is consistent with the Global Internal Audit Standards (GIAS), which emphasise the importance of transparent reporting to those charged with governance, and with CIPFA guidance which identifies the annual report as a key mechanism for audit committees to evidence effectiveness, accountability and impact.
- 3.4 This report for 2025/26 therefore supports transparency and accountability to Council and the public and provides assurance that the Audit Committee has fulfilled its role in overseeing governance, risk management, internal control and financial reporting arrangements during the year.

4 REASONS FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS

Recommended course of Action

- 4.1 Producing and presenting an annual report is recognised best practice as per GIAS and CIPFA guidelines and supports the Council in demonstrating strong governance and effective assurance arrangements. The report enables Members to gain assurance that the Audit Committee has fulfilled its role effectively during the year.

Other options considered

- 4.2 An alternative option would be not to produce an annual report. This option is not recommended as it would reduce transparency and limit the Committee's ability to demonstrate how it has discharged its responsibilities in accordance with GIAS and CIPFA guidance.

Consultation

- 4.3 The report reflects the work of the Audit Committee and draws on contributions and assurance work undertaken by Committee Members, Senior Officers, Shared Internal Audit Service, External Audit and the Shared Anti-Fraud Service during the year.

5 IMPLICATIONS

Financial Implications

- 5.1 There are no direct financial implications arising from noting this report. However, the work of the Audit Committee during 2025/26 has contributed to providing assurance over the Council's financial management, budget monitoring and financial reporting arrangements.

Legal Implications

- 5.2 The Audit Committee operates within the Council's constitutional framework and supports the Council in meeting its statutory responsibilities relating to accounts, audit and governance. There are no additional legal implications arising from this report.

Local Government Reorganisation (LGR) Implications

- 5.3 The Committee will oversee governance and risk arrangements during a period of sector-wide change. There are no specific LGR implications arising directly from this report.

Risk Implications

- 5.4 The Audit Committee has overseen the Council's corporate risk management framework during the year, including regular review of the Corporate Risk Register, providing assurance over the identification and mitigation of key strategic risks.

6 BACKGROUND DOCUMENTS

- BD1 All Audit Committee Reports are available on the Council Website using following link:

<https://democracy.stevenage.gov.uk/ieListMeetings.aspx?CId=138&Year=0>

7 APPENDICES

- A Audit Committee Annual Report 2025/26
B Audit Committee TOR 2026
C Key Reports 2025/26

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Audit Committee Annual Report 2025/26

STEVENAGE BOROUGH COUNCIL

1. Foreword from the Vice-Chair of the Audit Committee

I am pleased to present the Audit Committee Annual Report for the 2025/26 municipal year. This report outlines the work undertaken by the Committee during the year and highlights how the Committee has fulfilled its role in supporting strong governance, effective risk management and sound financial stewardship at Stevenage Borough Council.

The Audit Committee plays a vital role in providing independent assurance to Members on the adequacy and effectiveness of the Council's governance arrangements, internal control environment and risk management framework.

During the year, the Committee has continued to provide constructive challenge and robust scrutiny, supported by officers and both internal and external audit.

I would like to thank all those who have supported the work of the Audit Committee throughout the year. The Committee is made up of elected Members, supported by one Independent Member who provides additional expertise and challenge. Our work is further strengthened by the valuable contributions of officers, particularly from Finance, the Shared Internal Audit Service (SIAS), the Shared Anti-Fraud Service (SAFS), ICT and Corporate Performance Team. I would also like to acknowledge the contribution of our External Auditors, Azets, who have attended meetings regularly since their appointment.

I would also like to thank the Democratic Services team for their excellent support throughout the year, for keeping proceedings focused and on track.

Lloyd Briscoe
Vice-Chair of the Audit Committee
June 2026

2. Role of the Audit Committee

The Audit Committee is a key component of the Council's governance framework. Its purpose is to provide independent and high-level assurance to the Council on the effectiveness of governance, risk management, internal control and financial reporting arrangements.

In discharging its role, the Committee:

- Acts as the Council's audit committee
- Reviews and approves the Statement of Accounts
- Oversees the work of Internal Audit, External Audit and counter-fraud arrangements
- Monitors the effectiveness of risk management and the internal control framework
- Reviews treasury management, financial reporting and budget monitoring
- Considers the Annual Governance Statement and supports continuous improvement in governance arrangements

The Committee is comprised of elected Members, supported by one Independent non-voting Member, and meets regularly throughout the year to discharge its responsibilities effectively. The Committee operates in accordance with its Terms of Reference as set out in the Council's Constitution and with reference to relevant professional guidance, including that issued by CIPFA.

The existing full Terms of Reference for the Audit Committee are set out in Part 3 (para 2.4) of the Council's Constitution and can be accessed by clicking the link below:

<https://www.stevenage.gov.uk/documents/constitution/part-3-responsibility-for-functions-june-2025.pdf>.

The updated terms of reference are also attached as Appendix B to this report and once agreed, will replace the existing TOR within the Constitution.

3. Committee Membership and Meetings

During 2025/26, the Audit Committee met five times, plus one joint meeting as Statements of Accounts Committee. The following Members were appointed to the Committee for 2025/26:

Carolina Veres (Chair) - Labour
Lloyd Briscoe (Vice-Chair) - Labour

Phil Bibby - Conservative
Robert Boyle - Labour
Leanne Brady - Labour
Mason Humberstone - Reform
Dermot Kehoe - Labour
Tom Plater - Labour
Ceara Roopchand - Labour
Tom Wren - Lib Dem
Syed Uddin – Independent Member (Non-Voting rights)

Attendance at meetings was good and enabled the Committee to discharge its responsibilities effectively. The Committee was supported at meetings by appropriate senior officers, Internal Audit, External Audit and other assurance providers.

4. Key Areas of Work During 2025/26

The Committee operates an annual work programme designed to ensure that its responsibilities are addressed in a structured and appropriately timed manner throughout the financial year. Meeting agendas and reports are published on the Council's website to promote transparency and public access.

During 2025/26, the Committee undertook work across the full scope of its remit. A comprehensive list of reports considered during the year is set out at Appendix C, with the key areas of activity summarised below.

4.1. Financial Reporting and Statements of Accounts

The Committee is responsible for approving, on behalf of the Council, the Annual Statement of Accounts and for providing assurance that appropriate accounting policies have been applied and that any significant issues arising from the accounts or the external audit are properly considered.

The committee received reports from External Auditors on audit planning, findings and conclusions of agreed management actions. In February 2026, the Committee reviewed and approved the Council's Statement of Accounts 2024/25, providing assurance that appropriate accounting policies were applied and that any issues arising from the accounts and the external audit were properly considered.

The set of accounts received disclaimed audit opinions, issued solely because there was insufficient time for the auditors to complete a full audit in line with the statutory backstop arrangements introduced by Government. The

disclaimers were not the result of identified errors or weaknesses in the Council's accounting records or financial management.

The Committee welcomed the significant progress made during the year in restoring timely financial reporting. In particular, the 2024/25 Statement of Accounts was published on time and received audit sign-off within the Government-prescribed timescales, marking an important milestone in returning to normal audit arrangements.

The Committee has also received and noted a recovery timetable from the Council's external auditor, setting out how audit assurance will be rebuilt over the coming years. This includes planned work to establish full audit coverage of key balances and transactions, with the intention of returning to an unqualified audit opinion by the 2027/28 accounts, subject to national audit arrangements and progress against the agreed programme.

The Committee will continue to monitor progress closely and provide appropriate challenge and oversight to support the restoration of timely, high-quality audited accounts.

4.2. Shared Internal Audit and Anti-Fraud Services

The Committee oversaw the Council's Shared Internal Audit service throughout the year. This included:

- Approving the Internal Audit Plan.
- Monitoring delivery of the plan through progress reports.
- Reviewing the annual opinion of the Chief Audit Executive (the Council's Client Audit Manager) which provided satisfactory assurances on the Council control environment.

The Committee also received updates on counter-fraud activity and arrangements from Shared Anti-Fraud Services, providing assurance that appropriate measures are in place to prevent, detect and respond to fraud and corruption.

The committee also reviewed and endorsed the SIAS and SAFS plans for 2026/27.

4.3. Risk Management and Governance

The Committee received and considered quarterly Corporate Risk Reports throughout the year. The reports provided the Committee with an update on

Strategic Risk Register and other relevant risk management issues. This enabled the Committee to maintain effective oversight of the Council's key strategic risks, trends in risk exposure, and the adequacy of mitigating actions in place. During 2025/26, the Committee also reviewed and endorsed the draft Risk Management Policy, prior to formal approval by the Portfolio Holder and Chief Executive.

During the year, the Committee reviewed the 2024/25 Annual Governance Statement (AGS) and received a mid-year update, providing challenge on governance arrangements, control effectiveness and progress against agreed actions. The Committee also considered updates to the Local Code of Corporate Governance, supporting assurance over the robustness of the Council's governance framework.

In discharging its responsibilities, the Committee reviewed a range of governance, assurance and risk-related reports, including updates on anti-bribery policy, whistleblowing policy, cyber security and ICT risks, and the governance and risk management arrangements relating to the Council's wholly owned companies. These reports enabled the Committee to provide constructive challenge on emerging risks, control effectiveness and organisational resilience.

4.4. Treasury Management, Financial Assurance and Resilience

The Committee did not consider routine budget monitoring reports during the year, as responsibility for in-year budget monitoring and financial performance rests with Cabinet and Council. Instead, the Committee focused on providing assurance over the Council's financial governance, treasury management arrangements and longer-term financial resilience, in line with its Terms of Reference.

During 2025/26, the Committee considered a range of treasury management reports, including the Annual Treasury Management Review for 2024/25, the Mid-Year Treasury Management Review for 2025/26, and the Annual Treasury Management Strategy for 2026/27, including associated prudential indicators. Through this work, the Committee provided scrutiny and challenge on borrowing, investments, capital financing, and compliance with the CIPFA Treasury Management Code.

This work supported the Committee's role in maintaining effective oversight of the Council's financial stewardship, treasury risk exposure and overall financial resilience.

5. Committee Effectiveness

The Committee recognises the importance of regularly reviewing its own effectiveness in line with CIPFA guidance and reflecting on its operation, work programme and the quality and timeliness of information received, to ensure it remains focused on areas of highest governance and assurance risk.

During the year, the effectiveness of the Audit Committee was subject to an independent internal audit review. The review provided reasonable assurance over the effectiveness of the Committee's arrangements, concluding that there is a generally sound system of governance in place, supported by clear Terms of Reference, an appropriate balance of skills and experience within the membership, effective meeting arrangements, and timely provision of information to Members.

The review identified a small number of areas for improvement, including the retention of evidence relating to Member induction training, the formal recording and follow-up of the Committee's annual self-assessment, and the inclusion of clearer deadline dates within the Committee's work programme. Management actions have been agreed to address these points and will be monitored through the Committee's ongoing work programme.

This review provided additional assurance in support of the Council's Annual Governance Statement and will inform further strengthening of the Committee's effectiveness and good governance arrangements going forward.

6. Training and Development

Effective Audit Committee members require an appropriate level of knowledge and understanding to discharge their responsibilities and provide informed scrutiny and challenge.

During 2025/26, training was provided to Committee Members on a range of relevant topics, including anti-fraud awareness (delivered by the Shared Anti-Fraud Service), the role of internal audit and standards (delivered by the Shared Internal Audit Service), and treasury management (delivered by the Council's external Treasury Advisers). Training sessions were aligned to items within the Committee's work programme and were designed to strengthen Members' understanding of key governance, risk and assurance matters.

An internal audit review of the effectiveness of the Audit Committee identified the need to strengthen the formal retention and accessibility of records relating to Member induction and training. Actions have been agreed to address this, including

clearer arrangements for recording induction and specialist training undertaken by Members.

Further training is planned to ensure Members continue to develop and maintain the skills, knowledge and awareness required to fulfil their role effectively and in line with recognised good practice.

7. Conclusion

The Audit Committee has fulfilled its role during 2025/26 by providing independent assurance to the Council on the effectiveness of governance, risk management, internal control and financial reporting arrangements.

This Annual Report demonstrates the Committee's contribution to promoting strong governance, transparency and accountability at Stevenage Borough Council and supports confidence in the Council's assurance framework.

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AUDIT COMMITTEE - Terms of Reference

1. Membership

9 Members plus 1 co-opted independent (non-elected) Member in a non-voting capacity, appointed in accordance with the Constitution.

- Chair to be a Member who is neither a Cabinet Member nor a Scrutiny Member
- A maximum of one Cabinet Member may serve on the Committee
- At least one Scrutiny Committee Member may serve on the Committee

2. Quorum

4 Members

3. Terms of Reference

The Audit Committee provides independent assurance to Full Council on the effectiveness of the Council's governance, risk management, control and assurance arrangements and fraud prevention and detection. In discharging its role, the Committee will have regard to relevant professional guidance and standards, including the Global Internal Audit Standards (GIAS) and CIPFA guidance on audit committees.

3.1. Internal Audit

To advise or comment as appropriate on:

- The Internal Audit Charter, ensuring it reflects the Internal Audit mandate and requirements under the Global Internal Audit Standards
- The Annual Internal Audit Plan, including alignment with organisational risks and strategic priorities
- Progress against the Internal Audit Plan and the adequacy of management responses to audit findings
- Summaries of key Internal Audit reports, including themes, systemic issues, and root causes
- The Annual Report and Opinion of the Chief Audit Executive (the Council's Client Audit Manager), including confirmation of conformance with the Global Internal Audit Standards
- The Internal Audit Quality Assurance and Improvement Programme, including the timing and outcomes of any external quality assessments

3.2. External Audit

To advise or comment as appropriate on:

- The External Auditor's audit strategy, plans and approach
- The Audit Results Report/Report to Those Charged with Governance
- The Annual Audit and Inspection Letter
- Proposals relating to the appointment or procurement of the External Auditor
- The scope and depth of external audit work and any significant issues arising

3.3. Co-ordination and Assurance

To review and advise on:

- Arrangements for effective co-operation and co-ordination between Internal Audit, External Audit, and other assurance providers, in line with GIAS expectations around coordination of assurance
- The Council's overall assurance framework

3.4. Anti-Fraud

To oversee and advise on:

- The Council's Anti-Fraud and Corruption Strategy, including whistleblowing arrangements and associated policies.
- The Annual Anti-Fraud Plan, including alignment with organisational risks, the *Fighting Fraud and Corruption Locally Strategy* and CIPFA best practice.
- Progress against the Anti-Fraud Plan and the adequacy of management responses to the risk of fraud.
- Oversight of the Council's statutory duty to prevent Fraud/Bribery/Tax Evasion and CIPFA guidance on preventing money laundering.
- Reports on fraud risks, investigations (where appropriate), and control improvements

3.5. Governance, Risk and Control

To advise or comment on:

- The Annual Governance Statement, including whether it fairly reflects the Council's governance effectiveness
- The Council's Risk Management Framework and strategic risk register
- The Council's Constitution in respect of Financial Regulations and Contract Procedure Rules.

- Arrangements for securing value for money and Best Value

3.6. Financial Management and Reporting

To consider and advise on:

- The Statement of Accounts, including accounting policies and significant judgements
- Related capital determinations and accounting matters
- The Treasury Management Strategy and performance reports

3.7. Other Responsibilities

To oversee:

- The Council's Regulation of Investigatory Powers Act (RIPA) policy and activity.
- Any other matters referred to the Committee by Council, Cabinet or senior officers relating to governance, audit, anti-fraud, or financial management

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Key reports considered by the Audit Committee during 2025/26

Financial Statements and Accounts

- External Audit Plan 2024/25
- External Auditor's Annual Report 2023/24
- Annual Treasury Management Review of 2024/25 Including Prudential Indicators
- Mid-Year Treasury Management Review 2025/26
- External Auditor's Annual Report 2024/25
- Annual Treasury Management Strategy Including Prudential Indicators 2026/27

Governance

- 2024/25 Annual Governance Statement and Local Code of Corporate Governance
- Q1 Corporate Risk Report
- Mid-Year Annual Governance Statement Update
- Anti-Bribery Policy Update
- Q2 Corporate Risk Report
- Risk Management Policy Review
- Update on the Council's Wholly Owned Companies
- ICT Update (Cyber Security)
- Whistleblowing Policy Update
- Q3 Corporate Risk Report

Shared Internal Audit and Anti-Fraud Services

- SIAS Annual Assurance Statement and Internal Audit report 2024/25
- SIAS Progress Report (3 reports)
- SAFS Report 2024/25
- SAFS Progress Report (2 reports)
- SIAS Plan 2026/27
- SAFS Plan 2026/27

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