AZETS

Stevenage Borough Council

Audit Completion Report

Year ended 31 March 2025

February 2026

Contents

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Appendices

Additional documents presented

Draft letter of management representations

Draft audit report (opinion)

Purpose of this report

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

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

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

Executive summary

Executive summary

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

Financial Statements

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

From the work we have completed we have not identified any adjustments to the Council's financial statements which impact the reported financial outturn. Management has agreed to amend the accounts for all material adjustments and disclosure issues identified during the audit. We have raised recommendations for management as a result of our work.

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

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

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

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

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

We are also required to report on whether the other information included in the Statement of Accounts (including the Narrative Report and Annual Governance Statement) is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Executive summary

Financial Statements

The audit has progressed well and substantially achieved the objectives for 2024/25. Our audit plan, reported in June 2025, set out the overarching approach to build-back that we had developed across the four-year period from 2024/25 to 2027/28. Management is engaged with the build back process and, following this year's audit, the journey to build back has moved forward from the position at the end of 2023/24. Subject to the finalisation of a few residual procedures, the audit has achieved all the significant objectives for 2024/25 that were set out in the build-back plan.

Auditing balances, systems and processes that have not been subject to audit for several years means "normal" audit takes longer than would ordinarily be the case. In addition, designing and implementing our build-back approach has involved substantial technical consultation and senior level input, and has added considerable complexity for the audit team. We will hold a joint feedback and de-brief meeting with management prior to the start of the 2025/26 audit to identify opportunities for continuous improvement in the accounts, audit and build-back process. The progress achieved is summarised in the table below and over the page and reported in detail throughout this report:

Audit objective	Planned for 2024/25?	Undertaken 2024/25?	Outcome
Property Plant and Equipment, Investment Properties and Council Dwelling valuations: assurance of year end position as at 31 March 2025	Yes	Yes	Our work is substantially complete. Residual finalisation of procedures and queries is taking place to conclude our work with a view to securing full assurance over the valuation of other land and buildings, council dwellings and investment properties for 31 March 2025. This will enable management to take advantage of the new CIPFA Code indexation options in 2025/26, subject to agreement with the valuer.
Year end balance sheet positions for all other balance sheet items as at 31 March 2025	Yes	Yes	We have concluded our work in all balance sheet areas with the following residual matters: • Finalisation of our work confirming ownership of PPE assets and sample items relating to in year PPE additions • Finalisation of our work on collection fund, HRA and housing benefit debtors and creditors, which can only be concluded once we have regained collection fund and CIES assurance over the disclaimed period, and is planned to take place from 2025/26, in line with the previously reported build back plan • Receipt of missing third party confirmations for a small number of investments *continued….*

Executive summary

Financial Statements

Audit objective	Planned for 2024/25?	Undertaken 2024/25?	Outcome
Income strip	Yes	Yes	In 2023/24 and 2024/25 we undertook additional value for money work in our review of the overarching income strip arrangement and its associated risks. This work was reported in detail in our Auditor’s Annual Reports for 2023/24 and 2024/25. In 2024/25 we have undertaken build-back procedures in respect of the detailed judgements supporting the accounting transactions for the income strip arrangement. This includes consideration of the approach adopted for calculating the expected interest rate, accounting for the ‘lump sum’ monies received as part of the arrangements and the accounting treatment for individual annual transactions throughout the disclaimed period. Our work is currently in progress but will be taken through to completion.
Build-back risk assessment in accordance with LARRIG06	Yes	Yes	Our work is substantially complete and comprises comprehensive procedures for both qualitative and quantitative risk assessment factors across the entire disclaimed period. This includes a detailed analysis of reserves movements over the period. Our work is subject to finalisation of residual queries
PPE build-back over the disclaimed period	Yes	Yes	Our work has gained some but not yet all assurance over the PPE movements in the disclaimed years. This work will be concluded in 2025/26.

Our progress this year is in line with that anticipated in the wider build back plan. Our work in 2025/26 will focus on:

- Obtaining full assurance for the 31 March 2026 balance sheet position, including pensions (IAS19) disclosures
- Obtaining assurance over 2025/26 CIES transactions
- Concluding our PPE build-back procedures
- Commencing our build-back procedures for the collection fund, housing revenue account and housing benefit expenditure, as well as historic income and expenditure CIES transactions throughout the disclaimed period.

Executive summary

Financial Statements

We have not altered our audit plan as formally presented to you on 3 June 2025.

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

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

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

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

Executive summary

Value for money

We have completed our value for money work. Our detailed findings were reported in our Auditor's Annual Report in November 2025.

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

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

Statutory duties

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

Certificate

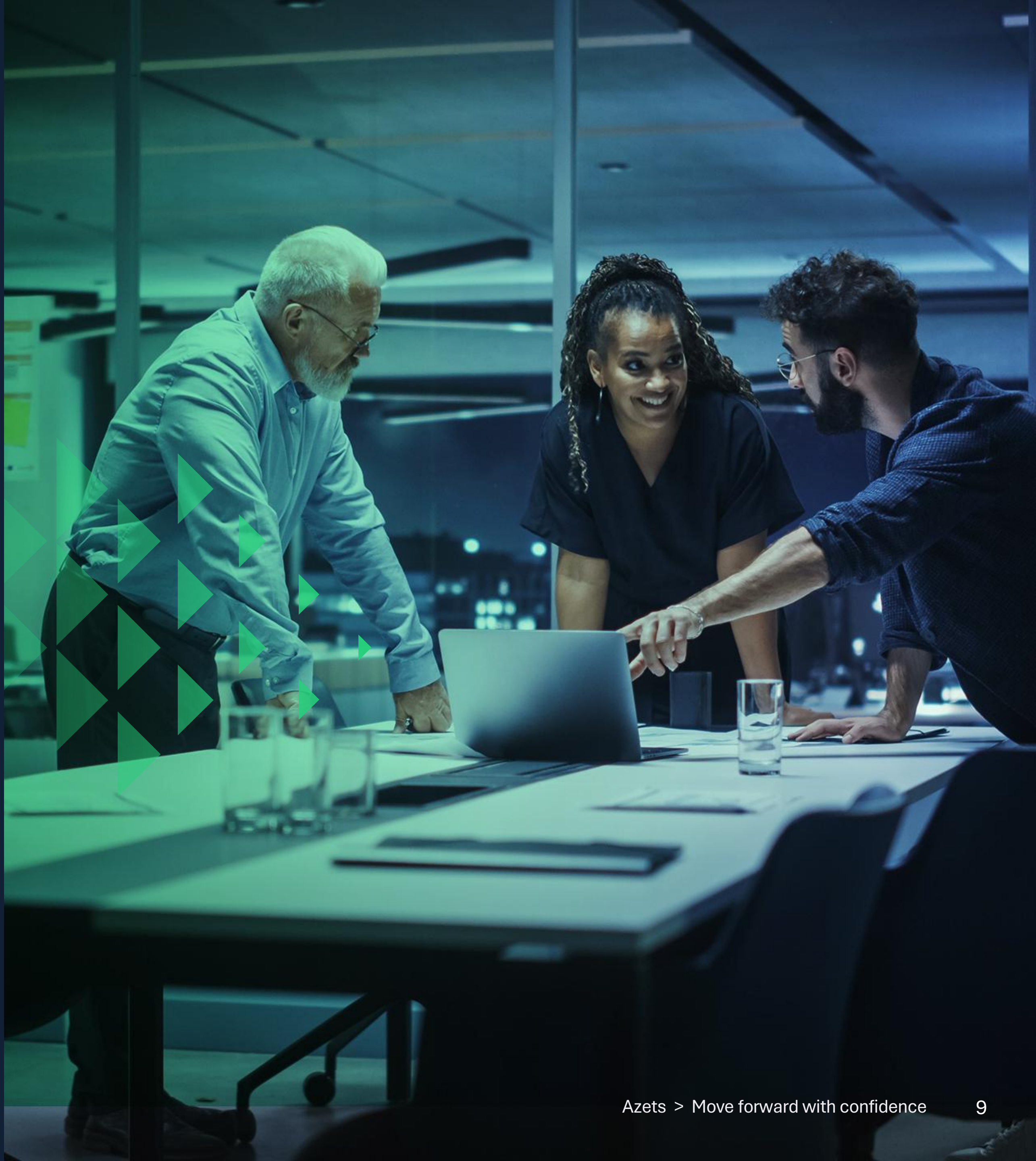
We will not be able to certify the closure of the audit until:

- we have completed all work we are requested to undertake as a component auditor for Whole of Government Accounts (WGA), and we receive confirmation from the National Audit Office that the Comptroller and Audit General has certified the WGA for 2024/25

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

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

Financial statements



Quality Indicators

KEY:

RED	Significant improvement required
AMBER	Developing
GREEN	Mature

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

Metric	Grading	Commentary
Quality and timeliness of draft financial statements	GREEN	The draft financial statements were provided on time and were complete. The Council published its accounts in line with statutory deadlines and advertised its inspection period appropriately. We did not encounter any significant issues related to the quality of the accounts although we did identify a number of amendments which were required.
Quality of working papers provided and adherence to timetable	AMBER	The working papers provided were of high quality and were delivered in a timely manner. As a result, we were able to start the audit on time and as planned. There was a prompt turnaround by management on the inquiries made by the audit team. However, we encountered challenges with the transaction listings. When requested, the finance team produced a list of items relating to converting the General Fund to the CIES, such as presenting investment income and expenditure in Financing and Investment Income & Expenditure rather than in cost of sales.
Timing and quality of key accounting judgements	AMBER	We did not encounter any significant challenges in the timing and quality of key accounting judgements. However, the final valuation report was not received until after the draft accounts had been published. In addition, the specialist accounting advice on the income strip was not received until late autumn. Both reports, once received, required material amendment to the financial statements.
Access to finance team and other key personnel	GREEN	The finance team, including the management expert, was available as agreed and responsive to our audit queries. They have been very helpful in their engagement with the audit. Queries were responded to promptly and comprehensively, particularly by the Head of Technical Accounting, who was extremely knowledgeable, helpful and engaged.
Quality and timeliness of narrative report and annual governance statement	GREEN	The draft financial statements were received on 30 June 2025. From the work undertaken in the time available ahead of the statutory backstop, we did not identify significant issues related to the quality of the narrative report and annual governance statement.
Volume and magnitude of identified errors	AMBER	From the work we have been able to undertake, we identified amendments required in the financial statements which are detailed later in this report. Management has agreed to amend the accounts in respect of these matters where appropriate. We have determined that the imposition of the national backstop has created time constraints which impede our ability to complete all necessary procedures to obtain sufficient appropriate audit evidence and to fulfil the objectives of all the relevant ISAs (UK) in relation to balances. As a result of the material and pervasive nature of missing assurance, and the imminent statutory backstop date of 27 February 2026 for the 2024/25 audit, we intend to disclaim the audit in our audit report.

Audit Timeline

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

Dec 2024-Jan 2025	February 2025	31 March 2025	July to November 2025	Nov 2025-Feb 2026	Nov 2025-Feb 2026	By 27 Feb 2026
Planning	**Interim**	**Period end: 31st March**	**Final accounts**	**Audit Committee**	**Completion**	**Sign off**
• 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	• Document control design and effectiveness • Discuss audit plan with audit committee • Early testing		• Regular updates with management • Undertake audit testing • Review of narrative report and annual governance statement • Conclude on significant risk areas • Report observations on other risk areas, management judgements • Draft Audit Completion Report • Discuss report with management	• Discuss audit findings with audit committee • Issue draft Audit Findings (ISA260) report • Issue Auditor's Annual Report (by 30 November)	• Subsequent events procedures • Management representation letter • Sign financial statements	• Sign audit report opinion • Issue delayed audit certificate

Materiality

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

At the planning stage of the audit, we determined overall materiality as £2,200k for the Group and £2,100k for the Council and performance materiality as £1,430k for the Group and £1,365k for the Council. On production of the financial statements, we reconsidered our materiality determination as communicated in the Audit Plan. We considered it appropriate to update our materiality due to the change in gross expenditure for 2024/25. Group materiality remained unchanged. Council materiality dropped by £100k due to actual expenditure in 2024/25 being lower than in 2023/24.

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

	Group £000	Council £000	Explanation
Overall materiality for the financial statements	2,200	2,000	This is approximately 2% of gross revenue expenditure based on the 2024/25 draft financial statements. This is a common measure for calculating materiality for councils as the users of the financial statements are considered to be most interested in where the Council has expended its income during the year.
Performance materiality	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.

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.

Group audit

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

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

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

Risks at the component level

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

Note that a component may require a statutory audit under UK or overseas company law irrespective of whether an audit is required for group reporting purposes. Management should therefore satisfy themselves that all UK and overseas company law requirements are adhered to on a component-by-component basis. Management informs us that both Queensway and Marshgate have filed audited accounts for 2024/25. The Joint Venture accounts to December 2025, which are the first accounts for this entity, are yet to be audited.

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

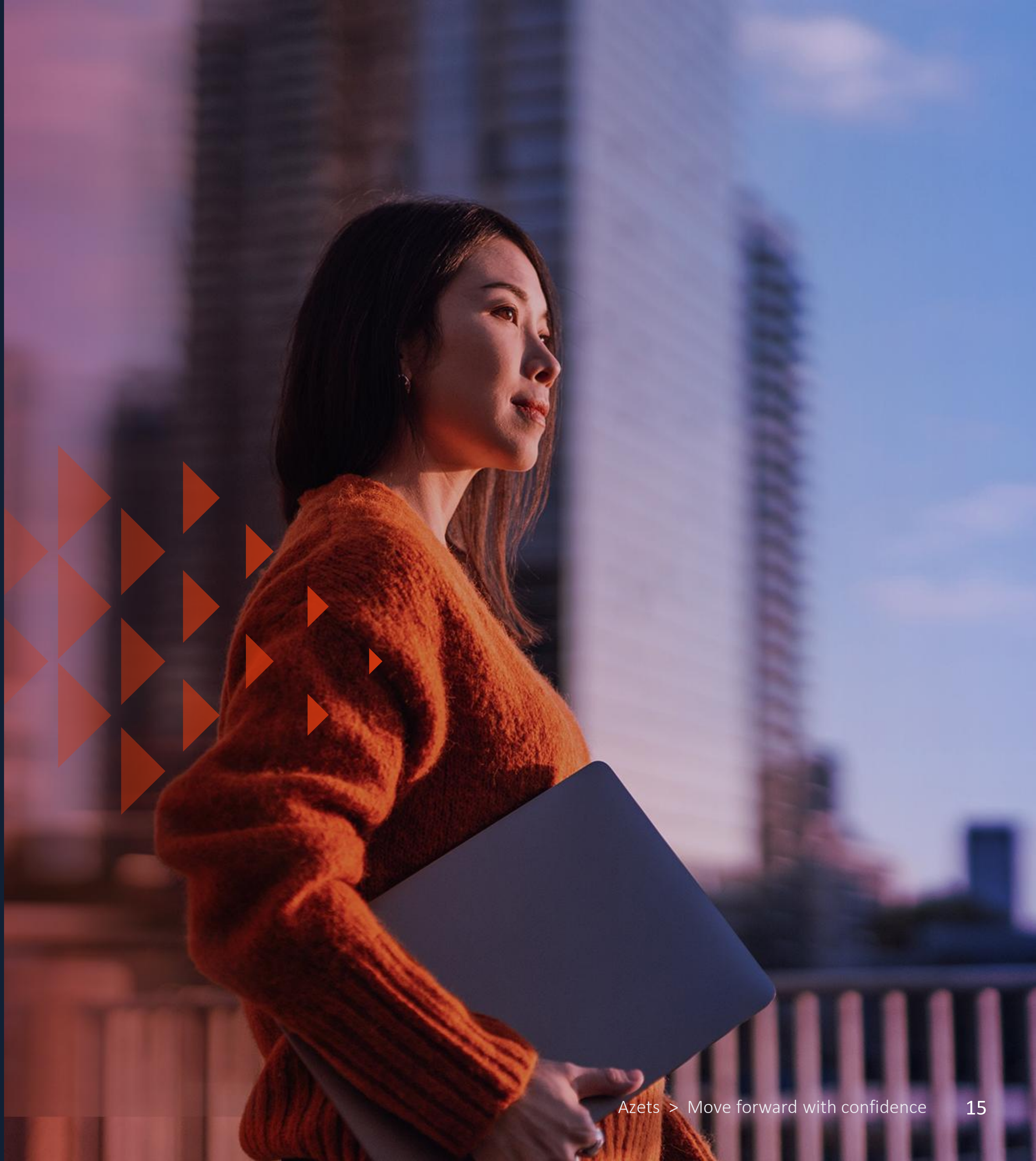
Group audit

<table>
<tr><th>Component</th><th>Scope</th><th>Planned audit approach</th><th>Audit findings</th></tr>
<tr><td>Stevenage Borough Council</td><td>Full scope</td><td>Full scope statutory audit performed as set out in this report, amended due to impact of disclaimer</td><td>Our audit findings have been documented later in this report.</td></tr>
<tr><td>Queensway Properties (Stevenage) LLP</td><td>Specific scope</td><td>Specific scope procedures performed by group engagement team.</td><td rowspan="3">Our agreed approach for 2024/25 was to focus scale fee time on recovering year end balances for 2024/25 at the Council and, where possible, to extend this to transactions contained in the group accounts. For Queensway, this involves focusing on the assets and income strip transaction and for Marshgate focusing on the assets held by the component.

Our audit findings have been documented later in this report where relevant. Due to the time constraints arising from the statutory backstop, we have not been able to conclude all our planned audit procedures. We have no further matters to report in respect of this beyond those set out elsewhere in this report</td></tr>
<tr><td>Marshgate Plc</td><td>Specific scope</td><td>Specific scope procedures performed by group engagement team.</td></tr>
<tr><td>Joint Venture with Mace Development</td><td>Specific scope</td><td>Procedures to ensure accurate treatment of the Council’s share in the Joint Venture</td></tr>
</table>

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

Key audit findings



Key audit findings: significant risks

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

Significant risks are defined as risks that require special audit consideration and include risks of material misstatement that are close to the upper range of inherent risk due to their nature and a combination of the likelihood and potential magnitude of misstatement or are required to be treated as significant risks due to requirements of auditing standards.

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

Significant risk	Financial Statement / Assertion Level Risk	Fraud risk?	Approach to controls	Level of judgement / estimation uncertainty	Outcome of work
Management override of controls	Financial Statement Level	Yes	Assess design & implementation	Very high	We have undertaken our procedures in line with our build-back plan but are unable to reach a conclusion in this area for the reasons set out in the detail of this report. Along with other factors explained in this report, we plan to disclaim the opinion for 2024/25. We have raised control recommendations to address the issues encountered.
Prior year opinion on the financial statements (Council and group)	Financial Statement Level	No	Assess design & implementation	Very high	We have implemented an overarching build-back plan for the period 2024/25 to 2027/28. Current year findings are reported in this report. In line with our build back plan, we intend to disclaim the opinion for 2024/25.
Income Strip (Council and group)	Financial Statement Level	No	Assess design & implementation	Very high	Work in this area remains ongoing in line with the procedures set out in our build back plan. In line with our build back plan, we intend to disclaim the opinion for 2024/25.

Key audit findings: significant risks

Significant risk	Financial Statement / Assertion Level Risk	Fraud risk?	Approach to controls	Level of judgement / estimation uncertainty	Outcome of work
Valuation of council dwellings	Assertion Level	No	Assess design & implementation	High	We have completed our procedures on council dwellings in line with our build back plan. We have reported matters arising in this report. We identified a material difference of circa £3m in the valuation of council dwellings: the draft valuation report prepared by the valuer indicated a total valuation of £722m, which was reported in the accounts, but the final report, received after the draft statement of accounts had already been published, shows a valuation of £719m. We have completed our testing on the Council's dwellings where the beacon approach was applied, and work on five samples relating to shared ownership properties is still ongoing. The Council's dwellings valued using the beacon approach have been appropriately valued by the Council's management expert, subject to the adjustments noted. However, as we do not have sufficient assurance over the opening balances, our audit opinion will be disclaimed.

Key audit findings: significant risks

Significant risk	Financial Statement / Assertion Level Risk	Fraud risk?	Approach to controls	Level of judgement / estimation uncertainty	Outcome of work
Presumption of fraud in revenue and expenditure recognition	Assertion Level	Rebutted	Assess design & implementation	Low	We rebutted the risk of fraud in revenue and expenditure recognition at the planning stage. Standard procedures were required in respect of these balances. In line with our build back plan, we intend to disclaim the opinion for 2024/25.
Valuation of land and buildings	Assertion Level	No	Assess design & implementation	High	We have undertaken our procedures in this area and have reported our findings in the detail of this report. Along with other factors explained in this report, we plan to disclaim the opinion for 2024/25.
Valuation of investment properties	Assertion Level	No	Assess design & implementation	High	We have commenced our procedures and they are currently being finalised in line with our build back plan. We are unable to reach a conclusion in this area. Along with other factors explained in this report, we plan to disclaim the opinion for 2024/25.
Valuation of pension assets and liabilities (IAS19)	Assertion Level	No	Assess design & implementation	High	We have undertaken specific procedures in line with our build back plan. We are unable to reach a conclusion in this area due to missing assurance from earlier years. Along with other factors explained in this report, we plan to disclaim the opinion for 2024/25.

Key audit findings: significant risks

Significant risks at the financial statement level

The table below summarises our conclusions on significant risks of material misstatement at the financial statement level for the 2024/25 accounts. These risks are considered to have a pervasive impact on the financial statements as a whole and potentially affect many assertions for classes of transaction, account balances and disclosures.

Management override of controls

Significant risk	Audit approach
Management override of controls (Council and group) 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. Although the level of risk of management override of controls will vary from entity to entity, the risk is nevertheless present in all entities. Specific areas of potential risk including manual journals, management estimates and judgements and one-off transactions outside the ordinary course of the business. **Risk of material misstatement:** Very High	Procedures to mitigate risks of material misstatement in this area included: • Documenting our understanding of the journals posting process and evaluated the design effectiveness of management controls over journals; • Analysing the journals listing and determined 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 had been undertaken in line with the Council's journals policy; • Gaining an understanding of the key accounting estimates and critical judgements made by management. We also challenged assumptions and considered reasonableness and indicators of bias which could have resulted in material misstatement due to fraud; and • Evaluating the rationale for any changes in accounting policies, estimate or significant unusual transactions.

Key audit findings: significant risks

Management override of controls …continued

Audit findings and conclusion
The vast majority of the Council's journals are processed through the ledger. **On-ledger journals** We have undertaken and completed our work in respect of the Council's on-ledger journals and have no issues to report to you. **Off-ledger journals** In 2024/25 management processed 36 journals outside of the ledger, relating to adjustments required to meet reporting requirements in local authority accounting. This is done to mitigate added complexity which would otherwise be added to the Council's management reporting requirements. The off-ledger journals do not impact the net 2024/25 outturn but require additional audit work. Off-ledger journals mean the general ledger does not map directly to the financial statements. It also means we have to undertake additional substantive procedures in respect of the off-ledger journals. Additional explanation and information was required to understand the rationale behind the journal postings, resulting in an increased number of follow up queries. Additional audit work was also required to undertake the data ingest and resolve reconciliation issues arising as a result. Management provided additional information to explain each manual journal. We were unable to reconcile the TB and GL to the "Income and Expenditure Analysis by Nature" set out in Note 5 to the financial statements. Management provided alternative backup to Note 5 on 3 February 2026; however, we have not been able to review this due to the time constraint imposed by the national statutory backstop. As a result, we have not yet been able to conclude our procedures in relation to these off-ledger journals. It should be noted that given the Council's accounts have not been subject to audit for several years, it is not unexpected that more time is needed than in a 'normal' audit when recovering disclaimed positions. Additional time was therefore focused on this area in line with our build back plan. We cannot draw finalised conclusions from this work as not all of the planned areas of testing for this significant risk have been completed. For instance, we have been unable to reach a conclusion on all accounting estimates used by management in the financial statements, including property valuations, and therefore cannot conclude as to whether any management bias in significant account estimates exists, notwithstanding that our understanding of management's judgements and estimates applied to the financial statements does not indicate this may be the case. This is due to the time constraints to perform sufficient procedures on these accounting estimates. The key judgements in the financial statements for 2024/25 are documented later in this report.

Key audit findings: significant risks

Prior year opinion on the financial statements

Significant risks	Audit approach
Prior year opinion on the financial statements (Council and group) As a result of the backstop implemented on 28 February 2025, a disclaimer audit opinion was provided on the council 2023/24 financial statements. Disclaimed audit opinions have also been provided on the Council's accounts for the 2021/22 and 2022/23 years. As a result of prior year disclaimed audit opinion: • 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 periods. The absence of prior year assurance raises a significant risk of material misstatement at the financial statement level that may require additional audit procedures. **Inherent risk of material misstatement:** Very High	Procedures to mitigate risks of material misstatement in this area included: • Considering the findings and outcomes of prior year audits and their impact on the 2024/25 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 2024/25; and • Considering the impact of any changes in Code requirements for financial reporting in previous and current audit years.

Key audit findings: significant risks

Prior year opinion on the financial statements …continued

Audit findings and conclusion
In our audit plan we communicated the high-level end-to-end indicative build-back plan. This envisages gaining assurance over the accounts from the period from 2024/25 to 2027/28. Our audit approach and procedures deployed in 2024/25 are in line with this approach. Our approach also includes the statutory guidance issued by the National Audit Office (NAO) in Local Audit Reset and Recovery Implementation Guidance (LARRIG) 01 to 06. Our procedures in 2024/25 fell into two categories: • **Procedures on the 2024/25 accounts with a view to gaining assurance over the year end position and identifying improvement suggestions for recovery work in future years**. Given the Council's accounts have not been subject to audit for several years, it is not unexpected that more time is needed than in a 'normal' audit when recovering disclaimed positions. Additional time from within the scale was therefore focused on this in line with our build back plan. Our scale fee work in 2024/25 was focused on recovery of year end balance sheet positions, journals, fraud testing and in-year reserves movements and analysis. Our findings from this work are set out throughout this report. • **Build-back procedures to gain assurance over disclaimed periods of account**. This work involves additional planning, in line with the statutory considerations set out in LARRIG06, additional risk assessment and additional substantive procedures over the disclaimed years. The substantive procedures also include substantive testing of Property, Plant and Equipment movements in disclaimed years and in future years will require substantive testing of income and expenditure transactions. **Build-back risk assessment procedures** Our build-back risk assessment procedures comprised two significant streams: the qualitative risk assessment and the quantitative risk assessment. The qualitative work, guided by LARRIG 06, focuses on assessing the inherent risk of material misstatement in opening General Fund (GF) and Housing Revenue Account (HRA) balances and associated earmarked reserves following prior-year disclaimers. This involves evaluating governance arrangements, the control environment, timeliness of accounts preparation, complexity of reserves, and risks arising from multiple disclaimed opinions. We have considered factors such as changes in personnel, financial systems, budgetary controls, and classification risks between capital and revenue transactions. Our planned response included enhanced inquiry, review of Annual Governance Statements, analytical procedures, and targeted substantive testing to evaluate these risks.

Key audit findings: significant risks

Prior year opinion on the financial statements continued….

Audit findings and conclusion
The quantitative work relates to reconciling and validating movements within the Movement in Reserves Statement (MIRS) back to the last clean opinion (2020/21). This includes detailed testing of reserve movements, statutory adjustments and consistency checks across primary statements and supporting notes to evaluate accuracy and completeness of reported balances. We have undertaken procedures in respect of both the qualitative and quantitative risk assessment streams. We have not yet been able to conclude our procedures due to the impending backstop, but will continue this work as part of 2025/26. It is important to note that build back is a comprehensive and time-consuming process which is compounded at a council such as Stevenage; added complexity is present by virtue of the Housing Revenue Account (HRA), group accounts and income strip arrangement. The matters reported below are not a reflection of a lack of engagement from management nor a reflection of poor quality in management's processes or preparation. **Build-back risk assessment: Qualitative stream** We have undertaken a full and comprehensive risk assessment in accordance with LARRIG06. Further information is reported in the build-back section of this report. As part of our procedures under this stream we had planned to reconcile the financial statements to the general ledger and the trial balance for the current year and each previously disclaimed year, tracing back to the last clean opinion dated 31 March 2021. The reconciliation for the accounts as at 31 March 2024 was completed in the prior year with no issues noted. For the years ended 31 March 2022 and 31 March 2023, we have reconciled the balance sheet to the trial balance (TB), with the exception of Note 5 – Expenditure and Income Analysis by Nature. However, we have not been able to reconcile the balance sheet to the general ledger (GL) due to manual adjustments resulting in material variances between each line item. Furthermore, we have been unable to reconcile the Comprehensive Income and Expenditure Statement (CIES) to the TB and GL due to these manual adjustments made by the Council. Additional time was spent by audit and management to interrogate these matters. We have agreed with management that there will not be sufficient time for the finalisation of this work ahead of the backstop date. We will continue this work during the 2025/26 audit. **Build-back risk assessment: Quantitative stream** We have undertaken procedures under this stream, which includes reconciling and validating movements within the Movement in Reserves Statement (MIRS) back to the last clean opinion. During our review we noted that several changes had been made to the comparatives in the 2022/23 accounts in these notes, meaning the comparatives differed from figures originally presented in the 2021/22 accounts. These changes resulted in variances between the revised adjustments note and the initial reserve movements note. This may be due to amendments in the unusable reserve analysis for the 2022/23 comparatives, but to confirm this we need to obtain additional detail on useable reserve movements sitting behind the 2022/23 and 2023/24 financial statements.

Key audit findings: significant risks

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

Audit findings and conclusion
Overall, the variances net to zero within individual reserves, so the closing balances appear reasonable. However, to verify this, we will need to request an updated analysis of movements in unusable reserves for 2021/22. If this aligns with the updated MIRS adjustments, we should be able to resolve most variances. Additional time was spent by audit and management to interrogate these matters. We intend to conclude this work in the coming months. **Build-back substantive procedures** A significant volume of substantive procedures are required to build-back assurance and recover the disclaimed opinion. These procedures, in line with our over-arching build-back plan, will take place over the coming years, with specific procedures taking place in 2024/25. In 2024/25, we planned to undertake substantive procedures in respect of Property, Plant and Equipment movements over the disclaimed period, and in respect of the Income Strip transactions over the disclaimed period. We report in the build-back section of this report the procedures undertaken and commentary to date. **Conclusion:** In 2024/25, we have: • Undertaken full scale fee work on current 2024/25 balances and journals and raised recommendations for management where action is needed to enable full assurance to be gained through audit, focusing our work on those balances most necessary to recover first under our over-arching build back plan • Undertaken significant and comprehensive build-back risk assessment procedures in line with LARRIG06, encompassing both qualitative and quantitative risk assessments • Undertaken procedures to build back assurance in respect of Property, Plant and Equipment and the Income Strip Recovering the disclaimed position is a long-term and complex process, involving substantial volumes of audit work and significant time from management to facilitate such work. As set out in our indicative build-back plan, along with the other factors explained in the report, we plan to issue a disclaimer of opinion for the financial year 2024/25. Due to audit opinions on the prior years' financial statements being disclaimed, we have no assurance over the opening balances of the reserves and the balance sheet financial statement line items. This means we have no assurance on the movements in year and cannot gain sufficient audit evidence on the material accuracy of the financial statements at 31 March 2025.

Key audit findings: significant risks

Income strip

Significant risks	Audit approach	Audit findings and conclusion
Income Strip (Council and group) 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. The complexity of the accounting is greater as part of this transaction sits within the Council's subsidiary entity. The Council will also need to consider the impact of IFRS16 on the income strip arrangement and how this is accounted for within the financial statements. The accounting transactions of the income strip affect various assertions across multiple items of account in the CIES, balance sheet and Movement in Reserves statement. We have therefore assessed this as a financial statements level risk. **Inherent risk of material misstatement:** Very High	Procedures to mitigate risks of material misstatement in this area included: • 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. • Assessing management's judgement on the impact of IFRS16 on the accounting for income strip transactions.	As part of our work, we have documented our understanding of the income strip process and evaluated the design effectiveness of management controls over income strip transactions. Work remains ongoing including finalisation of agreement of accounting entries to the trial balance and to supporting records and working papers. In the prior year we recommended that management consider the impact of any expected credit loss in the long-term debtor expected to be paid by the subsidiary company. Management commissioned specialist advice to consider this. The advice indicated that an expected credit loss in excess of £2m could be required. Management has decided to amend the accounts to reflect this impairment. Our work on the detailed accounting supporting the income strip remains ongoing. In line with the build-back plan the completion of this work will not enable the disclaimer to be lifted and, along with the other factors explained in the report, we therefore plan to issue a disclaimer of opinion for the financial year 2024/25.

Key audit findings: significant risks

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

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

Key audit findings: significant risks

Fraud in revenue recognition and expenditure

Significant risk	Audit approach	Audit findings and conclusion
Fraud in revenue recognition and expenditure (Council and group) Material misstatement due to fraudulent financial reporting relating to revenue recognition is a rebuttable presumed risk in ISA (UK) 240. Having considered the nature of the revenue streams at the Council, we consider that the risk of fraud in revenue recognition can be rebutted on all income streams because: • there is little opportunity available to manipulate revenue recognition; • there is limited incentive to manipulate revenue recognition • the Council's existing income transactions do not provide a significant opportunity to manipulate income between years in any meaningful way or to adopt aggressive recognition policies We have also considered Practice Note 10, which comments that for certain public bodies, the risk of manipulating expenditure could exceed the risk of the manipulation of revenue. We have therefore also considered the risk of fraud in expenditure at the Council, and we are satisfied that this is not a significant risk for the reasons set out below: • significant amount of expenditure is in relation to pay, and • non-pay expenditure reflected in the Council's financial statements exhibits a straightforward nature, characterised by reduced subjectivity, and there is little incentive to management to manipulate expenditure. **Inherent risk of material misstatement: (Existence and Occurrence):** Low	As we had rebutted the presumption of risk in both expenditure and income recognition, standard procedures to mitigate risks of material misstatement in this area included: • Documenting our understanding of the Council's systems for income and expenditure 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 expenditure and compliance with the CIPFA Code. • Substantively testing material income and expenditure streams using analytical procedures and sample testing of transactions recognised for the year	We have undertaken procedures to document our understanding of the Council's systems for income and expenditure to identify significant classes of transactions, account balances and disclosures with a risk of material misstatement in the financial statements. We agreed debtors and creditors to the general ledger and supporting working papers. In line with our build back plan we have not evaluated the Council's accounting policies for recognition of income and expenditure and compliance with the CIPFA Code. Substantive testing of material income and expenditure streams is planned in future years as part of the build-back plan and, in 2024/25, this time was re-focused to support additional work undertaken on journals, ledger reconciliations, property, plant and equipment and significant balance sheet items. We have considered whether the time constraints imposed by the backstop date mean that we cannot complete all necessary procedures to obtain sufficient, appropriate audit evidence to support the opinion and fulfil all the objectives of all relevant ISAs (UK). Along with other factors explained in this report, we plan to disclaim the opinion for 2024/25.

Key audit findings: significant risks

Valuation of land and buildings

Significant risks	Audit approach
Valuation of land and buildings (key accounting estimate) (Council and group) The Council carries out a rolling programme of revaluations to ensure all property, plant and equipment required to be measured at fair value is revalued at each 1 April 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 2025. The valuations involve a wide range of assumptions and source data and are therefore sensitive to changes in market conditions. ISAs (UK) 500 and 540 require us to undertake audit procedures on the use of external expert valuers and the methods, assumptions and source data underlying the fair value estimates. These valuations represent a key accounting estimate made by management within the financial statements due to the size of the values involved, the subjectivity of the measurements and the sensitive nature of the estimate to changes in key assumptions. We have therefore identified the valuation of other land and buildings as a significant risk. We further pinpointed 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 value was individually significant and where the in-year valuation movements fell outside of our expectations. **Inherent risk of material misstatement:** Land and Buildings (valuation): High	Procedures to mitigate risks of material misstatement in this area included: • Evaluating management processes 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 management's 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. We will consider whether we require an auditor's expert; • 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 that 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 different to the current value.

Key audit findings: significant risks

Valuation of land and buildings continued….

Audit findings and conclusion
We have commenced our procedures in this area. Work is ongoing at the time of drafting this report and will be concluded to gain assurance over the 31 March 2025 valuations for operational land and buildings in line with our build-back plan. We have evaluated management processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work, evaluated the competence, capabilities, and objectivity of management's valuation expert and undertaken a walkthrough of the design and implementation of management's processes for determining the valuation accounting entries in the financial statements. We have reconciled the accounting entries to the general ledger and the fixed asset register. We have analysed the fixed asset base in detail and undertaken procedures to enable us to pinpoint our significant risk within the wider population, focusing on the materiality of individual valuations and movements in valuation against expectations. We have analysed the population and selected a sample for detailed testing. Work remains ongoing to conclude the testing of this valuation sample. The year-end figures for operational land and buildings in the accounts were immaterially different from the figures in the valuer's report, as the Council had used the draft valuation report. The Council has also made an adjustment in relation to the 2023/24 brought-forward balances, with a consequential impact on the 2024/25 financial year. The Council has explained that a cost centre identified in the 2023/24 year-end working papers as an addition to dwellings stock was capitalised in the fixed asset register as plant and equipment with a five-year useful life. The Council has further indicated that the subsequent reconciliation to Centros reflected this classification in error hence plant and equipment was overstated and council dwellings understated by £2,484k as at 31 March 2024. The 2024/25 depreciation charges have been amended by the Council to reflect the corrected classification, resulting in a reduction to the HRA depreciation charge of £497k. These differences are noted later in this report. The final valuation reports were only received after the publication of the financial statements. Management has informed us that a timetable was agreed with the valuers before year end for the timely delivery of the final reports but that an issue with communication between the Council and Savills meant the final report was not issued until after the accounts had been finalised. Whilst we intend to conclude this piece of work as part of our 2024/25 audit, such that we have obtained assurance over the opening position for 2025/26, along with the other factors explained in the report, we plan to issue a disclaimer of opinion for the financial year 2024/25. More detailed findings on our consideration of this estimate are contained later in this report.

Key audit findings: significant risks

Valuation of council dwellings

Significant risks	Audit approach
Valuation of council dwellings (key accounting estimate) (Council) The Council carries full revaluation of Council dwellings annually. Management engage the services of a qualified valuer, who is a Regulated Member of the Royal Institute of Chartered Surveyors (RICS), to undertake these valuations as of 31 March 2025. The valuations involve a wide range of assumptions and source data and are therefore sensitive to changes in market conditions. ISAs (UK) 500 and 540 require us to undertake audit procedures on the use of external expert valuers and the methods, assumptions and source data underlying the fair value estimates. These valuations represent a key accounting estimate made by management within the financial statements due to the size of the values involved, the subjectivity of the measurements 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. We further pinpointed this risk to specific assets, or asset types, on receipt of the draft financial statements and the year-end updated asset valuations to those assets where the in-year valuation movements fell outside of our expectations. **Inherent risk of material misstatement:** Council dwellings (valuation): High	Procedures to mitigate risks of material misstatement in this area included: • Evaluating management processes 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 management's 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. We will consider whether we require an auditor's expert; • 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 that 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 different to the current value.

Key audit findings: significant risks

Valuation of council dwellings continued….

Audit findings and conclusion
We have undertaken and concluded all of our procedures on council dwellings with some issues being noted. We have reconciled the accounting entries to the general ledger and the fixed asset register. We identified a material difference of circa £3m in the valuation of council dwellings. We have analysed the fixed asset base in detail and undertaken procedures to enable us to pinpoint our significant risk within the wider population, focusing on the materiality of individual valuations and movements in valuation against expectations. We have analysed the population and selected a sample for detailed testing. The draft valuation report prepared by the valuer indicated a total valuation of £722m, which was reported in the accounts, but the final report, received after the draft statement of accounts had already been published, shows a valuation of £719m. Under IAS 10, this constitutes a post–balance adjustable sheet event, as the final valuation provides evidence of conditions that existed at the reporting date and the difference is material. Management have agreed to make the necessary adjustments to the financial statements. Further detail on the accounting entries is reported within the audit adjustments sections. We have completed our testing on the Council's dwellings where the beacon approach was applied, and work on five samples relating to shared ownership properties is still ongoing. The Council's dwellings valued using the beacon approach have been appropriately valued by the Council's management expert, subject to the adjustments noted. Along with the other factors explained in the report, we therefore plan to issue a disclaimer of opinion for the financial year 2024/25. More detailed findings on our consideration of this estimate are contained later in this report.

Key audit findings: significant risks

Valuation of investment properties

Significant risks	Audit approach
Valuation of investment properties (key accounting estimate) (Council and group) The Council carries undertakes a full revaluation of its investment property annually. Management engage the services of a qualified valuer, who is a Regulated Member of the Royal Institute of Chartered Surveyors (RICS), to undertake these valuations as of 31 March 2025. The valuations involve a wide range of assumptions and source data and are therefore sensitive to changes in market conditions. ISAs (UK) 500 and 540 require us to undertake audit procedures on the use of external expert valuers and the methods, assumptions and source data underlying the fair value estimates. These valuations represents a key accounting estimate made by management within the financial statements due to the size of the values involved, the subjectivity of the measurements 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. We further pinpointed 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 which were individually significant and where the in-year valuation movements fell outside of our expectations. **Inherent risk of material misstatement:** Investment properties (valuation): High	Procedures to mitigate risks of material misstatement in this area included: • Evaluating management processes 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 management's 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. We will consider whether we require an auditor's expert; • 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 that 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 different to the current value.

Key audit findings: significant risks

Valuation of investment properties continued….

Audit findings and conclusion
We have commenced our procedures in this area. Work is ongoing at the time of drafting this report, and we intend to conclude this work to gain assurance over the 31 March 2025 valuations for investment properties. To date we have evaluated management processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work, evaluated the competence, capabilities, and objectivity of management's valuation expert and undertaken a walkthrough of the design and implementation of management's processes for determining the valuation accounting entries in the financial statements. We have reconciled the accounting entries to the general ledger and the fixed asset register. We have analysed the fixed asset base in detail and undertaken procedures to enable us to pinpoint our significant risk within the wider population, focusing on the materiality of individual valuations and movements in valuation against expectations. We have analysed the population and selected a sample for detailed testing. Work remains ongoing to conclude the testing of this valuation sample. Whilst we intend to conclude this piece of work as part of our 2024/25 audit, based on the above, we are unable to reach a conclusion on this area. Along with the other factors explained in the report, we therefore plan to issue a disclaimer of opinion for the financial year 2024/25. More detailed findings on our consideration of this estimate are contained later in this report.

Key audit findings: significant risks

Valuation of pension assets and liabilities

Significant risks	Audit approach
Valuation of pension assets and liabilities (IAS19) (key accounting estimate) (Council) An actuarial estimate of the net defined pension liability/asset is calculated on an annual basis under IAS 19 'Employee Benefits', and on a triennial funding basis, by an independent firm of actuaries with specialist knowledge and experience. The triennial estimates are based on the most up to date membership data held by the pension fund and a roll forward approach is used in intervening years, as permitted by the CIPFA Code. 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. 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. This represents a key accounting estimate made by management within the financial statements due to the size of the values involves, 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. **Inherent risk of material misstatement:** –Pension assets and liabilities (valuation): High	Procedures to mitigate risks of material misstatement in this area included: • 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; • Evaluating whether any asset ceiling was appropriately considered (if applicable) when determining the value of any pension asset included in the financial statements; • Assessing the impact of any significant differences between the estimated gross asset valuations included in the financial statements and the Council's share of the investment valuations in the audited pension fund accounts'; and • Ensuring pension valuation movements for the year and related disclosures have been correctly reflected in the financial statements

Key audit findings: significant risks

Valuation of pension assets and liabilities continued….

Audit findings and conclusion
We have commenced the planned procedures over this item of account in line with our overarching build-back plan. Further detailed work will take place in 2025/26, as previously communicated, following the next triennial valuation. We have evaluated management processes and assumptions for the calculation of the estimate, the instructions issued to the actuary and the scope of their work, evaluated the competence, capabilities, and objectivity of management's valuation expert and undertaken a walkthrough of the design and implementation of management's processes for determining the pension accounting entries in the financial statements. We have also agreed the pension liability disclosures to the actuarial IAS19 report. We have not been able to gain any assurance over year-on-year movements, interest costs, interest on assets, actual return on asset, share of assets and service costs due to the prior year balances being disclaimed, meaning we have no assurance over opening balances. These areas are directly influenced by the opening balances. In addition, we have not been provided with assurance by the pension fund auditor over membership of the pension fund back to the last triennial valuation. We wrote to the current pension fund auditor on 17 July 2025 requesting assurance over the membership data. No response was received until 19 January 2026. In this letter the pension fund auditor stated that the audit of the pension fund accounts was not yet complete and no opinion had been issued. However, they stated that in respect of the assurances we required of them, they had undertaken their procedures and no exceptions were noted that they needed to report to us. However, this assurance is for the current year only and does not include assurance dating back to the previous triennial valuation. Obtaining such assurance is outside of management's control. The next triennial valuation takes place in 2025/26 and the current pension fund auditor will be able to provide the required assurance from this date. Due to audit opinions on the prior years' financial statements being disclaimed, we have no assurance over the opening balances of the pension liability. This means we have no assurance on the movements in year and cannot gain sufficient audit evidence on the material accuracy of the valuation of the pension fund liability as at 31 March 2025. Therefore, we are unable to reach a conclusion on this area. Along with the other factors explained in the report, we therefore plan to disclaim the audit for the financial year 2024/25. More detailed findings on our consideration of this estimate are contained later in this report.

Key audit findings: other risks

Other risks

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

Other risks	Audit approach
Implementation of IFRS 16 – key accounting estimate – (Council and group) As IFRS 16 was adopted and implemented by local government bodies under the Code of Audit Practice from 1 April 2024. Under IFRS 16 a lessee is required to recognise a right of use asset and associated lease liability in its Balance Sheet. This will result in significant changes to the accounting for leased assets and the associated disclosures within the financial statements for the year ended 31 March 2025. As of 31 March 2024, the Council does not have any material operating leases. At the time of issue of the audit plan we were waiting for the Council's confirmation of the impact for 2024/25. This was subsequently reflected in the draft financial statements. The Council will also need to consider the impact of IFRS16 on the income strip arrangement and how this is accounted for within the financial statements.	Procedures to mitigate risks of material misstatement in this area included: • Assessing the appropriateness of the Council's approach to identification of leases captured within the scope of IFRS 16, with a particular focus on ensuring completeness of leases; • Performing a walkthrough of the Council's systems and processes to capture the data required to account for right of use (RoU) lease assets and associated liability in accordance with IFRS 16; • Reviewing the Council's accounting policies for the year ended 31 March 2025 to reflect the requirements of the new accounting standard; • Assessing the existence, valuation, accuracy and completeness of the right of use assets and associates lease liabilities, and the related disclosures within the financial statements; • Assessing and testing Council's method of valuing the lease liability attributed to the Queensway income strip scheme; and • Evaluating whether Right of Use assets and lease liabilities have been appropriately remeasured in line with the requirements of IFRS 16 as set out in the CIPFA Code.

Key audit findings: other risks

Other risks

Audit findings and conclusion
Implementation of IFRS 16 – key accounting estimate – (Council and group)….continued We have commenced procedures in respect of the Council's IFRS 16 implementation, including our procedures over lease liabilities, disclosures, and related accounting. Management informed us they had not identified any material Right of Use Assets, individually or cumulatively. Those that were identified were considered to be below the de minimis level. We reviewed managements arrangements for identification and their detailed considerations and assessment against the requirements of IFRS16. We challenged management on their judgements and reviewed the supporting information available. We agreed the entries to the TB and supporting working papers. At this stage, the procedures specifically relating to the remeasurement of the right-of-use (RoU) asset have not yet been completed. Other than this, we have no other issues to report to you from our work in this area. Management has considered the impact of IFRS16 on the income strip arrangement and consider the accounting to be compliant. We are in the processes of undertaking our procedures in respect of management's accounting for the impact of IFRS16 on the income strip. This work remains ongoing Based on the above, we are unable to reach a conclusion on this area. Along with the other factors explained in the report, we therefore plan to issue a disclaimer of opinion for the financial year 2024/25.

Key audit findings: other risks

Other risks

Other risks	Audit approach	Audit findings and conclusion
Minimum revenue provision (MRP) – (Council) Linked to the risk of 'misstatements due to fraud and error', we consider specific areas where management makes significant judgements that impact charges to the General Fund balance. Local authorities are required to charge a 'Minimum Revenue Provision' (MRP) to the General Fund in each financial year related to borrowing. The calculation of this charge is based on the Capital Financing Requirement. Local authorities have flexibility in how they calculate MRP but need to ensure the calculation is prudent. In calculating a prudent provision, local authorities are required to have regard to statutory guidance. There is a risk that the Council may not been appropriately prudent in its calculation of MRP and/or not followed the relevant statutory guidance.	Procedures to mitigate risks of material misstatement in this area included: • Gaining an understanding of the processes and controls put in place by management to calculate the Minimum Revenue Provision (MRP) • Assessing and reviewing the calculation of the Capital Financing Requirement to ensure it is appropriate and consistent with other notes in the financial statements • Reviewing the MRP Policy statement and confirming consistency with prior year or any changes thereof • Evaluating the appropriateness of the Council's MRP policy • Evaluating whether the MRP has been appropriately calculated in accordance with the latest statutory guidance.	We have undertaken our procedures in this area. We updated our understanding of the processes and controls in place for calculating the Minimum Revenue Provision (MRP), including how voluntary MRP adjustments and statutory guidance are applied. We assessed and reviewed the calculation of the Capital Financing Requirement (CFR) to ensure it was appropriate and consistent with other financial statement disclosures, noting the residual general fund CFR of £26.5m for 2023/24. We reviewed the Council's MRP Policy for 2024/25 and its update for 2025/26, confirming that the Asset Life Method (Option 3) is used and remains consistent with statutory guidance. We also evaluated the appropriateness of the policy, considering its alignment with MHCLG guidance and the treatment of HRA assets, the income strip lease and agreed determinations. We had planned to test whether the MRP charge was calculated correctly for a sample of assets but were unable to perform this procedure due to time constraints and the imposition of the backstop date. As we do not have any assurance over the opening CFR we therefore do not have assurance over the closing CFR. We therefore cannot conclude in full on the accuracy of the MRP calculation. Based on the above, we are unable to reach a conclusion on this area. Along with the other factors explained in the report, we therefore plan to issue a disclaimer of opinion for the financial year 2024/25.

Key audit findings: other risks

Other risks

Significant risks	Audit approach	Audit findings and conclusion
Housing Revenue Account (HRA) – (Council) Expenditure by the HRA is tightly controlled by legislative requirements. HRA monies are ring-fenced and cannot be used for general fund purposes. Funds can also not be appropriated from the HRA and moved to the general fund.	Procedures to mitigate risks of material misstatement in this area included: • Reviewing expenditure incurred by the HRA to assess whether it is correctly accounted for within the HRA boundary	In line with our build back plan we have not performed these procedures in 2024/25. Substantive testing of material income and expenditure streams, including reviewing specific HRA expenditure, is planned in future years as part of the build-back plan and, in 2024/25, this time was re-focused to support additional work undertaken on journals, ledger reconciliations, property, plant and equipment and significant balance sheet items. We have considered whether the time constraints imposed by the backstop date mean that we cannot complete all necessary procedures to obtain sufficient, appropriate audit evidence to support the opinion and fulfil all the objectives of all relevant ISAs (UK). Along with other factors explained in this report, we plan to disclaim the opinion for 2024/25.

Key audit findings: other risks

Other risks

Significant risks	Audit approach	Audit findings and conclusion
Valuation of Debtors (Council) The Council's accounts include debtors of circa £34m owed to the Council by the Council's subsidiary entities: Queensway (Stevenage) LLP and Marshgate Ltd. However, their ability to pay this is not certain based on their audited reported financial positions. It is important that the Council undertakes an expected credit loss assessment in line with International Financial Reporting Standard 9 (IFRS9) and requirements within the CIPFA Code of Practice on local authority accounting, to assess whether these £34m of long-term debtors should be impaired. The Council should ensure the financial risks related to both companies are fully considered and reflected in the financial statements of the Council, as the ultimate beneficial owner, ensuring any expected credit loss which may require recognition is included within the Council's annual financial position. The Council should also consider, if any guarantee is given to the subsidiaries to support their going concern, the impact this may have on the Council's financial statements and ensure it is appropriately accounted for within the Council's accounts	Procedures to mitigate risks of material misstatement in this area included: • Gaining an understanding of the processes and controls put in place by management to ensure compliance with the requirements of IFRS9 • Gaining an understanding of any guarantees provided by the Council to the subsidiaries and assessing whether these have been correctly accounted for within the Council's financial statements	We have undertaken procedures in this area. We have agreed the accounting entries to the GL and supporting working papers. The £34m of long-term debtors due to the Council comprise £12m owed by Marshgate for repayment of a loan the Council provided to the subsidiary and £22m owed by Queensway (Stevenage) LLP, reflecting the full value of the lease liability owed by the Council to the income strip investor. The Council commissioned specialist accounting advice to assess whether the long-term debtors owed by both subsidiaries should be impaired. This advice was not received until after the draft accounts had been published and, thus, the draft accounts had not taken account of any expected credit loss impairment. Following consideration of this legal advice, the Council has calculated expected credit losses of £0.058m in respect of Marshgate and £2.1m in respect of Queensway. The Queensway expected credit loss reflects a material impairment to the value of the Council's long-term debtors. Due to time constraints associated with the statutory backstop date, we have not been able to conclude our procedures to confirm the accuracy and completeness of the expected credit loss calculations. Based on the above, we are unable to reach a conclusion on this area. Along with the other factors explained in the report, we therefore plan to issue a disclaimer of opinion for the financial year 2024/25.

Key audit findings: other risks

Other risks

Other risks	Audit approach
Impact on going concern of the performance of the income strip – (Council and group) We have reviewed the most recent set of audited accounts for Queensway (Stevenage) LLP and noted ongoing losses reported by the subsidiary (£0.71m in 2023/24 and £0.53m in 2022/23). The subsidiary also has reported a negative balance sheet position of £4.89m. These ongoing losses and the net liability position of the company as a whole 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.	Procedures to mitigate risks of material misstatement in this area included: • Reviewing cashflow forecasts, ongoing performance of the income strip and the impact on the Council of continued underperformance • Obtaining and reviewing management's going concern assessment continued....

Key audit findings: other risks

Other risks

Audit findings and conclusion
Impact on going concern of the performance of the income strip – (Council and group)….continued As part of our procedures we reviewed cash-flow forecasts for the Queensway income strip, assessed its ongoing performance against the original business plan and considered the potential impact of continued underperformance on the Council's financial resilience. The scheme places income, inflation, and economic risk entirely with the Council, as head-lease payments to the investor are fixed and index-linked for 37 years regardless of rental income. Queensway LLP has reported recurring losses and a negative balance sheet, with cumulative losses significantly exceeding original projections, highlighting a persistent income gap. While the MTFS includes a reserve to offset this and management has initiated mitigations such as revising the business plan and exploring options to improve occupancy and rental income, downside scenarios indicate potential ongoing calls on the General Fund if performance does not improve. In addition, Local Government Reorganisation may result in Stevenage Borough Council being absorbed into a new unitary authority within the next 2–3 years; if this occurs, all assets, liabilities, and responsibilities will transfer to the new body, meaning services will continue. As no final decision has been made by central government as to the nature of the future reorganisation and given the continuation of operations under any successor body, the Council has considered it appropriate to adopt the going concern basis in preparing its financial statements. From our review of the information and evidence supporting the income strip transaction and agreement, management actions to fund the underperformance of the scheme means we have not identified any material uncertainty relating to going concern for the short term. However, the Council has calculated that the subsidiary company's ability to pay to the Council the full costs of the head lease should be impaired by £2m in 2024/25. This in turn may impact the Council's longer-term ability to settle its finance lease liabilities to the investor in the absence of mitigations. In addition, the Council "owns" the negative balance sheet of its subsidiary, meaning a further liability of £4.8m which will fall on the Council if the subsidiary's financial performance does not improve. Management is currently forecasting that this will reduce to £2.2m by 2029/30. As we have been unable to conclude our audit in advance of the backstop date, we have not been able to obtain sufficient appropriate audit evidence to enable us to conclude that: • a material uncertainty related to going concern has not been identified • management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Along with the other factors explained in the report, we therefore plan to issue a disclaimer of opinion for the financial year 2024/25.

Key audit findings: other balances and areas of testing

Testing area	Commentary	Conclusion
PPE reclassification movements (*Assets under construction (£21,073k) and other land and buildings (£2,495k) reclassified to Council dwellings (£23,515k), Community assets (277k) and Surplus assets £126k)*)	We have • Reconciled the PPE reclassification movement during the year as per the financial statements to the GL and FAR. • Selected a sample of 5 assets that were reclassified out of assets under construction during the year. • Received the supporting evidence from the management for the selected samples. • We were able to confirm the in-year reclassification shown. However, the carrying value is directly influenced by the opening balance and therefore we are unable to conclude the value of the reclassification is correct. • Due to time constraints in meeting the backstop deadline, as per our agreement with management, backstopped our testing for this area for the current year. Therefore, we were unable to obtain assurance on this area.	Our testing over this area is complete.
PPE Additions £41,528k	We have • Agreed the ledger breakdown for additions to the GL and FAR and the note for property, plant and equipment. • Selected 40 samples for testing to verify accuracy and occurrence of the transactions. • We were able to test 37 samples, with three samples remaining untested as the information provided did not provide sufficient evidence to support the sample item. However, due to time constraints imposed by the backstop date, we were unable to conclude on this area of work. We plan to complete the outstanding testing as part of the audit of the 31 March 2026 financial statements. During our testing, we identified a sample error of £13k which, when extrapolated across the population, resulted in an extrapolated error of £103k. This error relates to an invoice dated September 2023 which was not received and thus processed until the following year and was therefore recorded in the incorrect accounting period.	We have started but not been able to conclude our work for the reasons set out to the left. We identified a non-material extrapolated error of £103k which is reported in the adjustments section.
Depreciation- £16,447k	We have • Reconciled the depreciation of non-current assets as per the note in the financial statements to the GL. • Agreed the depreciation expense shown in the financial statements to the FAR. • Performed analytics on the depreciation expense for accuracy and completeness. • We were able to confirm the in-year expense shown. However, the closing balance is directly influenced by the opening balance and therefore we are unable to conclude the expense is correctly accounted for. • Due to time constraints in meeting the backstop deadline, as per our agreement with management, backstopped our testing for this area for the current year. Therefore, we were unable to obtain assurance on this area.	Our testing over this area is complete. We have not identified any matters to report to you.

Key audit findings: other balances and areas of testing

Testing area	Commentary	Conclusion
Existence and Ownership Testing for Council Dwellings, Investment Property and PPE	Planned procedures included: • Reconciling the Fixed Asset Register (FAR) to the financial statements. • Selecting a sample of fixed assets for detailed testing. • Physically observing the selected assets to confirm their existence and to identify any indicators of impairment. • Confirming ownership of the assets by reference to supporting documentation, such as title deeds or original purchase invoices. We were able to perform all planned procedures except for physical observation of the assets. Work on confirming ownership has commenced; however, it was not completed for the 74 samples selected for testing. We have received the information required and will conclude this work in the near future. Due to time constraints in meeting the backstop deadline, and in accordance with our agreement with management, testing in this area was backstopped for the current year. As a result, we were unable to obtain assurance over this area.	We have started but not been able to conclude our work for the reasons set out to the left.
Investments • Long term £2,278k • Short term £27,000k	We have • Agreed the ledger breakdown for short- and long-term investments to the financial statements. • Sought direct confirmation from the financial institutions, with management's consent, for the value of the investments shown in the accounts; however, to date we have not received all of the confirmations. This has prevented us from finalising our procedures in this area. • Due to time constraints in meeting the backstop deadline, as per our agreement with management, backstopped our testing for this area for the current year. Therefore, we were unable to obtain assurance on this area.	Our testing over this area is complete. We have started but not been able to conclude our work for the reasons set out to the left.
Cash and cash equivalents £17,196k	We have • Obtained an understanding of process and control over cash and cash equivalents. • Agreed the ledger breakdown to the TB and supporting notes for cash and cash equivalents. • Obtained and tested bank reconciliations for the bank accounts as at the year-end where reconciling items were noted. We have tested the reconciling items on sample basis to ensure those are appropriately reflected in the bank reconciliation statement. • Sought direct confirmation from the financial institutions, with management's consent, for the value of each bank accounts as at 31 March 2025 and have received the responses. No issues have been identified in the balances confirmed.	Our testing over this area is complete. We have not identified any matters to report to you.

Key audit findings: other balances and areas of testing

Testing area	Commentary	Conclusion
Debtors: £27,754k	Planned procedures included: • Agreeing the ledger breakdown to the TB and supporting notes for short-term debtors and payments in advance. • Selecting samples to verify accuracy and existence of the balances as at year-end. • We reconciled the ledger breakdown to the TB and the supporting notes for short-term debtors and payments in advance. Short-term balances are split into trade debtors, prepayments, Marshgate debtors, and other receivable amounts, which are individually material. We selected five items each for both the trade debtors and prepayments and tested the Marshgate debtor and the allowance for credit losses associated with the short-term debtors. We have not been able to test Collection Fund debtors, Housing Revenue Account (HRA) debtors, and Housing Benefits debtors as validating these debtors requires undertaking additional procedures on the collection fund, HRA and housing benefit expenditure parts of the accounts, which is hampered by the lack of assurance from previous disclaimed years. Per the build-back plan, work on recovering the collection fund, HRA and housing benefit transactions will take place from 2025/26 and, once achieved, we will be able to conclude our testing on collection fund, HRA and housing benefit debtors.	We have not been able to conclude our work for the reasons set out to the left.
Provisions £(3,410)k	We have – • Reconciled the provisions per the financial statements to underlying records and the GL • Selected a sample of provisions and tested the provision against the requirements of IAS37 • Received the workings supporting the NNDR Appeals provision from management Due to the prior years' accounts being disclaimed we have no assurance on the opening provision balances and therefore the movement in year for NNDR Appeals provisions. This prevents us from reaching a final conclusion on the closing provision. The provision methodology appears reasonable but has not been tested in detail	We have not been able to conclude our work for the reasons set out to the left
Reserves	We have • Evaluated the completeness of the statutory adjustments included in the 2024/25 movement in reserves statement • Reconciled the internal consistency of reserves movements in year with other parts of the financial statements • Not been able to conclude the accuracy of the movements as the movements and the closing balance are directly influenced by the opening balance	We have started but not been able to conclude our work for the reasons set out to the left.

Key audit findings: other balances and areas of testing

Testing area	Commentary	Conclusion
Borrowing • Short term £(539)k • Long term £(247,936)k • Long term borrowing (Queensway) £(5,690)k • Queensway finance lease (£15,933)k	We have: • Agreed the ledger breakdown to the trial balance (TB) and the supporting notes for both short- and long-term borrowings. • Tested all borrowings as at year-end to verify the accuracy and existence of the balances. • Obtained direct confirmations from third parties where applicable and agreed borrowing balances to the underlying contracts. • Verified the classification of borrowings between short-term and long-term for disclosure purposes. Procedures on the Queensway long-term borrowing position are currently in progress. We aim to complete this work alongside the income strip work in the near future.	For short- and long-term borrowing, our testing over this area is complete. We have not identified any matters to report to you other than a classification error between long- and short-term borrowings. These have been included in the disclosure adjustments later in the report. For the Queensway income strip finance lease and long-term borrowing, we have commenced our procedures, and these are currently in progress.
Creditors • Long term £(8,386)k • Short term £(23,164)k	We have: • Agreed the ledger breakdown to the trial balance (TB) and the supporting notes for short-term creditors and receipts in advance. • Selected a sample of transactions to verify the accuracy and existence of the balances as at year-end. • Performed testing on all creditors balances and on accruals, except for Queensway and collection fund creditors. From our testing on creditors and accruals, we have no matters to report to you. Our work on the Queensway income strip remains ongoing. We were unable to perform work on Collection Fund creditors, as validating these creditors requires undertaking additional procedures on the collection fund, which is hampered by the lack of assurance from previous disclaimed years. Per the build-back plan, work on recovering the collection fund will take place from 2025/26 and, once completed, we will be able to conclude our testing on collection fund creditors.	We have started but not been able to conclude our work for the reasons set out to the left.

Key audit findings: other balances and areas of testing

Testing area	Commentary	Conclusion
Grant income- £(51,644K)	Planned procedures included: • Reconciling government grants and contributions income, and capital grants and contributions income, per the financial statements to the general ledger. • Selecting samples from the income breakdown to test the accuracy and occurrence of transactions. • Obtaining supporting evidence for selected items and resolving any queries with management. We performed a reconciliation of the financial statements back to the trial balance and general ledger for the relevant income items but were unable to reconcile the items in note 5 to the ledger. Management provided alternative backup to Note 5 on 3 February 2026; however, we have not been able to review this due to the time constraint imposed by the national statutory backstop. As a result, we have not yet been able to conclude our procedures in relation to these off-ledger journals	We have started but not been able to conclude our work for the reasons set out to the left.
Fees and charges income- £(33,466k)	Planned procedures included: • Agreeing the trial balance to the supporting notes for fees and charges income. • Agreeing the income ledger breakdown to the trial balance and supporting notes. • Selecting samples from the income breakdown to test the accuracy and occurrence of transactions We performed a reconciliation of the financial statements back to the trial balance and general ledger for the relevant income items; but were unable to reconcile the items in note 5 to the ledger. Management provided alternative backup to Note 5 on 3 February 2026; however, we have not been able to review this due to the time constraint imposed by the national statutory backstop. As a result, we have not yet been able to conclude our procedures in relation to these off-ledger journals	We have started but not been able to conclude our work for the reasons set out to the left.
Completeness of income	Planned procedures included: • Searching for unrecorded income by selecting and testing a substantive sample of sales invoices added to the accounts receivable system after year end to assess whether revenue was recorded in the correct accounting period. • Searching for unrecorded income by selecting and testing a substantive sample of cash receipts per the bank statements after year end to assess whether related revenue was recorded in the correct accounting period. Due to time constraints in meeting the backstop deadline, as per our agreement with management, backstopped our testing for this area for the current year. Therefore, we were unable to obtain assurance on this area.	We have started but not been able to conclude our work for the reasons set out to the left.

Key audit findings: other balances and areas of testing

Testing area	Commentary	Conclusion
Interest and Investment property income £(3,071k)	Planned procedures included: • Agreeing the trial balance to the supporting notes for investment property income. • Selecting samples from the income breakdown to test the accuracy and occurrence of transactions. In line with our build back plan we have not performed substantive testing on this area. Substantive testing of material income and expenditure streams is planned in future years as part of the build-back plan and, in 2024/25, this time was re-focused to support additional work undertaken on journals, ledger reconciliations, property, plant and equipment and significant balance sheet items. Due to time constraints in meeting the backstop deadline, we agreed with management that we would backstop our testing for this area for the current year.	We have started but not been able to conclude our work for the reasons set out to the left.
Taxation income • Council tax income £(6,838)k • NNDR income £(1,503)k	The following procedures were planned: • Agreeing the trial balance to the supporting notes for taxation income • Agreeing the income ledger breakdown to the trial balance and supporting notes • Reconciling the income for taxation in the financial statements to the expenditure per the collection fund • Performing analytical procedures over taxation income per the collection fund to confirm the accuracy, occurrence, and completeness of taxation income recognised in the accounts • Agreeing collection fund precepts to Council records We performed a reconciliation of the financial statements back to the trial balance and general ledger for the relevant income items but were unable to reconcile the items in note 5 to the ledger. Management provided alternative backup to Note 5 on 3 February 2026; however, we have not been able to review this due to the time constraint imposed by the national statutory backstop. As a result, we have not yet been able to conclude our procedures in relation to these off-ledger journals. In line with our build back plan, substantive testing of material income and expenditure streams is planned in future years as part of build-back and, in 2024/25, this time was re-focused to support additional work undertaken on journals, ledger reconciliations, property, plant and equipment and significant balance sheet items. Due to time constraints in meeting the backstop deadline, we agreed with management that we would backstop our testing for this area for the current year.	We have started but not been able to conclude our work for the reasons set out to the left.

Key audit findings: other balances and areas of testing

Testing area	Commentary	Conclusion
Housing revenue account income - £(48,097k)	Planned procedures included: • Obtaining a high-level understanding of the process for recording income generated from the Housing Revenue Account (HRA) portfolio of assets. • Obtaining the underlying rental income report from the housing management system and agreeing this to the financial statements and general ledger. • Selecting a sample of housing rent income transactions relating to rented council dwellings. • Agreeing rental income transactions to supporting documentation to verify accuracy and occurrence. We performed a reconciliation of the financial statements back to the trial balance and general ledger for the relevant income items; however, we identified differences that we could not reconcile due to off-ledger manual adjustments. We assessed our ability to resolve these differences within the time constraints of meeting the backstop deadline and agreed with management to backstop our testing for this area for the current year. Further, In line with our build back plan, substantive testing of material income and expenditure streams is planned in future years as part of build-back and, in 2024/25, this time was re-focused to support additional work undertaken on journals, ledger reconciliations, property, plant and equipment and significant balance sheet items. Due to time constraints in meeting the backstop deadline, we agreed with management that we would backstop our testing for this area for the current year.	We have started but not been able to conclude our work for the reasons set out to the left.
Employee benefit expenditure £(35,156k)	Planned procedures included: • Agreeing the trial balance to the supporting notes for employee benefit expenditure. • Agreeing payroll reconciliations performed by management to the amounts recorded in the financial statements. • Selecting a sample of starters and leavers during the year to confirm that they were processed accurately and to obtain assurance over controls operating within the payroll transaction stream. • Performing analytical procedures on payroll data to obtain partial assurance over the completeness and accuracy of payroll. • Testing a sample of employees to confirm that employment status, salary, and grade are accurately reflected in the payroll data In line with our build back plan we have not performed substantive testing on this area. Substantive testing of material income and expenditure streams is planned in future years as part of the build-back plan and, in 2024/25, this time was re-focused to support additional work undertaken on journals, ledger reconciliations, property, plant and equipment and significant balance sheet items. Due to time constraints in meeting the backstop deadline, we agreed with management that we would backstop our testing for this area for the current year.	We have started but not been able to conclude our work for the reasons set out to the left.

Key audit findings: other balances and areas of testing

Testing area	Commentary	Conclusion
Expenditure • Housing Revenue account repairs and maintenance expenditure • Non-HRA expenditure (including housing benefits) • Completeness of expenditure	In line with our build back plan we have not performed substantive testing on this area. Substantive testing of material income and expenditure streams is planned in future years as part of the build-back plan and, in 2024/25, this time was re-focused to support additional work undertaken on journals, ledger reconciliations, property, plant and equipment and significant balance sheet items. Due to time constraints in meeting the backstop deadline, we agreed with management that we would backstop our testing for this area for the current year.	We have started but not been able to conclude our work for the reasons set out to the left.
(Gain) / loss on the disposal of assets £(3,263k) PPE disposals £9,617k	Planned procedures included: • Reconciling the gain or loss on disposal of non-current assets per the financial statements to the general ledger and Fixed Asset Register (FAR). • Obtaining and reviewing management workpapers supporting the disposals recorded during the year. We selected a sample of disposals to test substantively the accuracy of the accounting treatment. We received excel spreadsheets to support the disposals but will need to select a further sample and receive independent evidence to enable us to conclude our testing in this area. We were unable to verify the accuracy of the calculated gain or loss on disposal, as the carrying values in the Fixed Asset Register remain disclaimed due to the statutory backstop applied in prior years. As a result, opening and comparative asset carrying values could not be relied upon.	We have started but not been able to conclude our work for the reasons set out to the left.
Group accounts	We have • Obtained and reviewed management's consolidation working paper • Assessed the group position and materiality of specific transactions • Not undertaken specific testing on component transactions due to the time constraints imposed by the backstop	We have started but not been able to conclude our work for the reasons set out to the left.

Key audit findings: other procedures

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

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

Key audit findings: other areas of focus

Area of focus	Issue	Audit findings and conclusion
Significant matters on which there was disagreement with management	There were no significant matters on which there was disagreement with management	None noted
Significant management judgements which required additional audit work and / or where there was disagreement over the judgement and / or where the judgement is significant enough that we are required to report it to those charged with governance before they consider their approval of the accounts	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. Additional consideration was required in respect of the expected credit loss for long term loans and amounts owed by subsidiaries to the Council, and to assess the impact of any potential embedded derivatives.	Due to the missing assurance for prior periods and the time constraints imposed by the statutory backstop we have not completed all our planned procedures and will issue a disclaimer of opinion
Prior year adjustments identified	Prior year adjustments were identified by management in respect of various Property, Plant and Equipment valuations incorrectly classified in the prior year. The misclassification, at £2.8m, is material.	Management has processed amendments in the comparators to reflect these prior period errors.
Concerns identified in the following: • Consultation by management with other accountants on accounting or auditing matters • Matters significant to the oversight of the financial reporting process • Adjustments / transactions identified as having been made to meet an agreed system position / target	No concerns were identified	None noted

Accounting policies, key judgements and estimates

Accounting policies, key judgements and estimates

Accounting policies

We have evaluated the appropriateness of the Council's accounting policies, taking into account consistency with the disclosures from the prior year and requirements as set out in the CIPFA LASAAC Code of Practice on Local Authority Accounting in the UK (the 'CIPFA Code) 2024/25 where appropriate. We have no matters to report.

Key judgements and estimates

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

Significant judgement or estimate	Value in accounts £000	Summary of management's approach	Audit comments and assessment
Land and buildings valuations (key accounting estimate)	125,825	The valuation of land and buildings involves determining whether assets are specialised or non-specialised, as this distinction can result in significantly different valuations. Valuation methods follow the recommendations of CIPFA and comply with guidance issued by the Royal Institution of Chartered Surveyors (RICS). Land and buildings are valued at current value. Where sufficient market evidence is available, this is based on market data; otherwise, current value is estimated using depreciated replacement cost (DRC), applying the Modern Equivalent Asset (MEA) approach. Revaluations are scheduled at five-year intervals unless a material change in value is identified through an annual impairment review. All valuations are carried out as at 31 March.	Audit work on the land and buildings valuation included reconciling the valuation report to the fixed asset register and the financial statements, with an unadjusted misstatement noted later in this report. We also evaluated the competence, capabilities and objectivity of management's valuation expert and focused our work on higher-risk assets with carrying values above performance materiality of £1.3m, reflecting the limited assurance available over prior-year balances. Audit work in this area remains ongoing hence we are unable to form a conclusion.

Accounting policies, key judgements and estimates

Significant judgement or estimate	Value in accounts £000	Summary of management's approach	Audit comments and assessment
Council dwelling valuations (key accounting estimate)	722,578	The valuation of council dwellings is carried out in accordance with CIPFA guidance and the Royal Institution of Chartered Surveyors (RICS) standards. Dwellings are valued at current value for social housing, using the Existing Use Value-Social Housing (EUV-SH) methodology, which reflects their use as social housing rather than open market value. This approach applies an adjustment factor to account for the restricted use of the properties. All valuations are undertaken by qualified external valuers and are scheduled at five-year intervals, with the most recent valuation completed as at 31 March 2025. Interim reviews are conducted annually to identify any material changes in value, supported by impairment assessments.	We have completed our procedures on the council dwellings with some issues being noted. We have identified a material difference of circa £3m in the valuation of council dwellings. The draft valuation report prepared by the valuer indicated a total valuation of £722m; however, the final report shows a valuation of £719m. No adjustments were made at the time because the final report was received after the statement of accounts had already been published in July 2025. Under IAS 10, this constitutes a post–balance sheet event, as the final valuation provides evidence of conditions that existed at the reporting date. The council was aware that a final report would follow, but the timing meant it was not incorporated into the published accounts. Management have agreed to make the necessary adjustments. Further detail on the accounting entries has been included in within audit adjustments sections. We have completed our testing on the Council's dwellings where the beacon approach was applied, and work on five samples relating to shared ownership properties is still ongoing. The Council's dwellings valued using the beacon approach have been appropriately valued by the Council's management expert, subject to the adjustments noted. However, as we do not have sufficient assurance over the opening balances, our audit opinion will be disclaimed.

Accounting policies, key judgements and estimates

Significant judgement or estimate	Value in accounts £000	Summary of management's approach	Audit comments and assessment
Investment properties (key accounting estimate)	36,098	Investment properties are valued at fair value in accordance with CIPFA guidance and the professional standards of the Royal Institution of Chartered Surveyors (RICS). The valuation is based on the income approach, which estimates the present value of expected future cash flows from the property, such as rental income, discounted at an appropriate rate reflecting the asset's risk profile. Inputs include current lease terms, market rental values, and yields, adjusted for the characteristics of each property. These valuations are classified as Level 2 under the fair value hierarchy, as they rely on observable market data combined with professional judgment. All investment property valuations are carried out by external valuers (Wilks Head Eve) and are completed as at 31 March each year.	We have commenced our procedures in this area. Work is ongoing at the time of drafting this report, and we intend to conclude this work to gain assurance over the 31 March 2025 valuations for investment properties. To date we have evaluated management processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work, evaluated the competence, capabilities, and objectivity of management's valuation expert and undertaken a walkthrough of the design and implementation of management's processes for determining the valuation accounting entries in the financial statements. We have reconciled the accounting entries to the general ledger and the fixed asset register. We have analysed the fixed asset base in detail and undertaken procedures to enable us to pinpoint our significant risk within the wider population, focusing on the materiality of individual valuations and movements in valuation against expectations. We have analysed the population and selected a sample for detailed testing. We are concluding our procedures to assess whether the Council's investment properties have been appropriately valued by the Council's management expert. We have not identified any issues to date that require reporting to Those Charged with Governance. Whilst we intend to conclude this piece of work as part of our 2024/25 audit, based on the above, we are unable to reach a conclusion on this area. Along with the other factors explained in the report, we therefore plan to issue a disclaimer of opinion for the financial year 2024/25. More detailed findings on our consideration of this estimate are contained later in this report.

Accounting policies, key judgements and estimates

<table>
<tr><th>Significant judgement or estimate</th><th>Value in accounts £000</th><th>Summary of management's approach</th><th>Audit comments and assessment</th></tr>
<tr><td>Pension assets and liabilities valuations (key accounting estimate)</td><td>(22,245)</td><td>This relates to the Council's obligations as a participating employer in the Hertfordshire Pension Fund, part of the Local Government Pension Scheme (LGPS). The Council's IAS 19 figures are prepared by Hymans Robertson LLP, using the projected unit credit method, with liabilities discounted to present value and scheme assets measured at fair value. Triennial funding valuations are undertaken by the Fund every three years, with the next valuation having commenced on 1 April 2025. For 2024/25, key actuarial assumptions include a discount rate of 5.8%, pension (CPI) inflation of 2.9%, and salary growth of 3.9%. Given the magnitude of the estimate, small changes in assumptions can result in material movements in the reported liability.</td><td>We have undertaken the following in the course of our testing:
• Assessed the competence, capability and independence of management's expert actuary
• Assessed the actuarial approach taken to confirm reasonableness of approach
• Reviewed completeness and accuracy of the underlying information used to determine the estimate
• Reviewed the reasonableness of the Council's share of local pension scheme assets
• Reviewed the adequacy of the disclosure in the financial statements
• Used our auditor's expert (PwC) to assess assumptions made by the actuary
<table>
<tr><th>Assumption</th><th>Actuary value</th><th>Assessment against PwC</th></tr>
<tr><td>Discount rate</td><td>5.80%</td><td>Reasonable</td></tr>
<tr><td>Pension increase rate</td><td>2.90%</td><td>Reasonable</td></tr>
<tr><td>Salary growth</td><td>3.90%</td><td>Reasonable</td></tr>
<tr><td>Life expectancy: males currently 45-65</td><td>21.2 years</td><td>Reasonable</td></tr>
<tr><td>Life expectancy: females currently 45-65</td><td>24.1 years</td><td>Reasonable</td></tr>
</table>
We have not been provided with assurance by the pension fund auditor over membership of the pension fund back to the last triennial valuation. We wrote to the current pension fund auditor on 17 July 2025 requesting assurance over the membership data. No response was received until 19 January 2026. In this letter the pension fund auditor stated that the audit of the pension fund accounts was not yet complete, and no opinion had been issued. However, they stated that in respect of the assurances we required of them, they had undertaken their procedures, and no exceptions were noted that they needed to report to us. However, this assurance is for the current year only and does not include assurance dating back to the previous triennial valuation.
Due to audit opinions on the prior years' financial statements being disclaimed, we have no assurance over the opening balances of the pension liability. This means we have no assurance on the movements in year and cannot conclude on the valuation of the pension fund liability as at 31 March 2025.</td></tr>
</table>

Accounting policies, key judgements and estimates

Significant judgement or estimate	Value in accounts £000	Summary of management's approach	Audit comments and assessment
Minimum revenue provision	(454)	The Council is responsible on an annual basis for determining the amount charged for the repayment of debt. This is known as the Minimum Revenue Provision (MRP). The basis for the charge is set out in regulations and statutory guidance. The year end MRP charge was £454k, a net increase of £79k from 2023/24. Following consultation MHCLG have clarified and updated the regulations and the statutory guidance for minimum revenue provision. Although these take full effect from April 2025, the consultation highlighted that the intention was not to change policy, but to clearly set out in legislation the practices that authorities should already be following. This guidance clarifies that capital receipts may not be used in place of a prudent MRP, that MRP should be applied to all unfinanced capital expenditure and that certain assets should not be omitted from the calculation unless exempted by statute.	We have carried out the following work: • Considered whether the Council's policy on MRP complies with statutory guidance • Assessed the reasonableness of any changes to the Council's MRP policy from the prior year • Assessed and benchmarked the Council's MRP charge as a percentage of the opening capital financing requirement(CFR). A charge higher than 2% is considered a sufficiently prudent estimate. The Council's MRP charge as a percentage of CFR is 1.71%. • Assessed and benchmarked the Council's total debt as a percentage of the capital financing requirement. A percentage lower than 100% is considered sufficiently prudent. The Council's total debt as a percentage of CFR is 31%. Overall, while the Minimum Revenue Provision (MRP) as a percentage of the opening Capital Financing Requirement (CFR) is below 2%, this reflects the impact of the Council's voluntary MRP repayment. MRP is also considered prudent when assessed as a proportion of total borrowing. The Council's total General Fund debt represents only 31% of the General Fund CFR, indicating sufficient headroom to support financial resilience. Based on our findings, we are satisfied that the MRP charge has been calculated in accordance with the relevant regulations. However, as we do not have any assurance over the opening CFR we therefore do not have assurance over the closing CFR. We therefore cannot conclude in full on the accuracy of the MRP calculation. The MRP charge must remain under regular review, particularly in light of future capital spending plans.

Accounting policies, key judgements and estimates

Significant judgement or estimate	Value in accounts £000	Summary of management's approach	Audit comments and assessment
Depreciation	16,447	Depreciation is charged on all Property, Plant and Equipment (PPE) assets through the systematic allocation of their depreciable amounts over their estimated useful lives. Exceptions apply to assets without a determinable finite life, such as freehold land and certain community assets, and to assets not yet available for use, such as those under construction. Depreciation is calculated on a straight-line basis as follows: • Dwellings and other buildings: Over the useful life of the property as estimated by the valuer, with an estimated useful of up to 50 years • Vehicles, plant and equipment: Over the estimated life of the asset, with an estimated useful of up to 15 years • Infrastructure assets: Over the estimated life of the asset, with an estimated useful of up to 46 years Where an asset contains major components with different useful lives, these components are depreciated separately. Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation and the depreciation that would have been charged on historical cost transferred annually from the Revaluation Reserve to the Capital Adjustment Account.	We performed a predictive analytical review of depreciation by asset class and identified variances exceeding our tolerable threshold of £650k (50% of performance materiality). No variances were noted. We are satisfied with management's approach. However, the depreciation expense is directly influenced by the opening asset balance, which has been disclaimed in prior years, and therefore we are unable to conclude the expense is correctly accounted for.

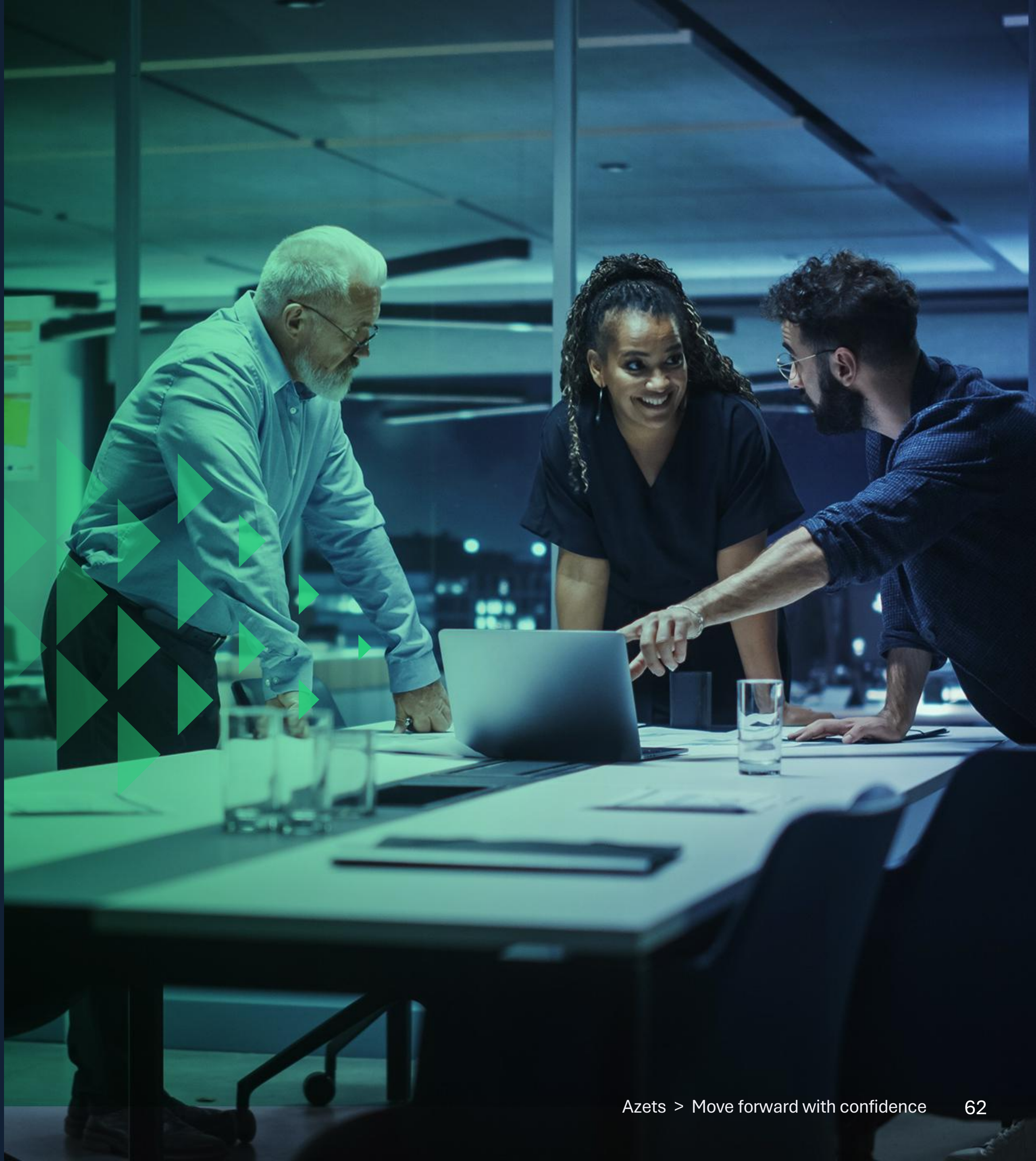
Accounting policies, key judgements and estimates

Significant judgement or estimate	Value in accounts £000	Summary of management's approach	Audit comments and assessment
Provisions	(3,410)	Provisions are recognised when an event has occurred that creates a legal or constructive obligation for the Council, which is likely to require settlement through the transfer of economic benefits, although the timing of the transfer remains uncertain. The Council assumes that all such transfers will occur within 12 months, acknowledging that in rare cases such as insurance provisions, settlement may take longer, though this does not materially affect the financial statements. Provisions are charged to the relevant service account in the year the obligation is identified, based on the best estimate of the expenditure required at the balance sheet date. When payments are made, they are applied against the provision recorded in the Balance Sheet. If it becomes less than probable that a transfer of economic benefits will be required, or if the settlement amount is lower than anticipated, the provision is reversed and credited back to the relevant service account. Where reimbursement from a third party is virtually certain, such as through an insurance claim, this is recognised as income for the relevant service.	We have – • Reconciled the provisions per the financial statements to underlying records and the GL • Selected a sample of provisions and tested the provision against the requirements of IAS37 • Received the workings supporting the NNDR Appeals provision from management Due to the prior years' accounts being disclaimed we have no assurance on the opening provision balances and therefore the movement in year for NNDR Appeals provisions. The provision methodology appears reasonable but has not been tested in detail.

Accounting policies, key judgements and estimates

Significant judgement or estimate	Value in accounts £000	Summary of management's approach	Audit comments and assessment
Accruals	(9,709)	The Council applies the accruals basis of accounting, meaning transactions are recorded in the period in which they occur, not when cash is received or paid. Revenue from contracts with service recipients is recognised when goods or services are provided, and expenses are recorded when services are received rather than when payments are made. Where revenue and expenditure have been recognised but cash has not yet been received or paid, a debtor or creditor is recorded in the Balance Sheet. Supplies are recorded as expenditure when consumed, and interest payable and receivable is accounted for on an effective interest basis. This ensures that the financial statements reflect the true economic activity of the Council during the reporting period	We have performed the following procedures: • Selected a sample of accruals and reviewed post year-end payments, tracing and agreeing these to payment advices and bank statements. • For unpaid items, obtained additional supporting evidence to substantiate the amounts outstanding at year-end. We have concluded our procedures in this area. We have no issues to report to you from the work performed.

Other responsibilities



Financial statements: other responsibilities

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Matter	Commentary	Findings
Matters in relation to fraud	We have previously discussed the risk of fraud with management and the Audit committee. We have not been made aware of any other incidents in the period. No other issues have been identified during the course of our audit from the work we have been able to complete.	As we plan to issue a disclaimer of opinion for the audit, we are unable to reach a conclusion on this area.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed from the work we have been able to complete.	As we plan to issue a disclaimer of opinion for the audit, we are unable to reach a conclusion on this area
Matters in relation to compliance with laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations, and we have not identified any instances from the audit work we have been able to complete.	As we plan to issue a disclaimer of opinion for the audit, we are unable to reach a conclusion on this area
Written representations	A letter of management representations has been requested from the Council.	Please refer to the letter of representation included alongside this report.
Confirmation requests from third parties	We requested permission from the Council for us to send confirmation requests to their financial institutions. To date we have only received confirmations from two counterparties representing £10m of the total investments of circa £30m.	As we plan to issue a disclaimer of opinion for the audit, we are unable to reach a conclusion on this area. We cannot conclude there are no issues to report in respect of the investment balances until all third party confirmations are received.

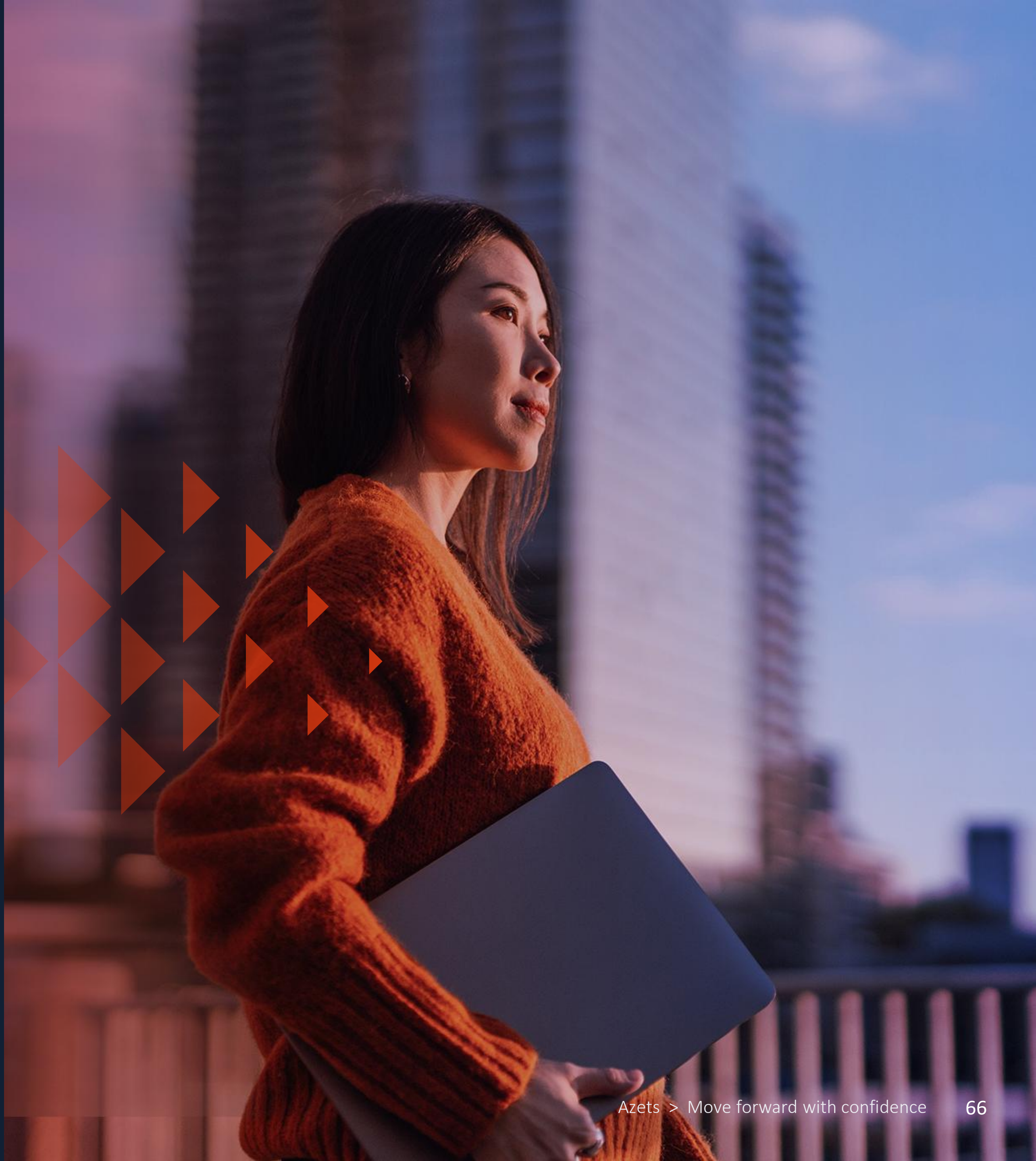
Financial statements: other responsibilities

Matter	Commentary	Findings
Going concern	As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern" (ISA (UK) 570). Management prepared the financial statements on a going concern basis applying the continuation of services provision set out in Practice Note 10. We have confirmed that this is appropriate as there is no known intention to transfer the services provided by the Council outside the public sector. We have not identified any material uncertainties relating to going concern at the Group.	As we have been unable to conclude our audit in advance of the backstop date, we have not been able to obtain sufficient appropriate audit evidence to enable us to conclude that: • a material uncertainty related to going concern has not been identified • management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.
Other information (Narrative report and Annual Governance Statement)	We are required to read and report on whether the other information included in the Statement of Accounts (including the Narrative Report and Annual Governance Statement) is materially inconsistent with the financial statements and our knowledge obtained from the audit or otherwise appears to be materially misstated. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or whether risks are satisfactorily addressed by internal controls.	As we plan to issue a disclaimer of opinion for the audit, we are unable to reach a final conclusion on this area.
Matters on which we report by exception	We are required to report on a number of matters by exception: • If the annual governance statement does not comply with the disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit • Where we are not satisfied in respect of arrangements to secure value for money and have reported significant weaknesses	We have nothing to report on these matters. However, as we plan to issue a disclaimer of opinion for the audit, we are unable to reach a final conclusion on this area.

Financial statements: other responsibilities

Matter	Commentary	Findings
Disclosures	From the work completed, our review identified some disclosure issues, which are highlighted with the Audit Adjustments section	We have identified and reported disclosure errors in this report. As we plan to issue a disclaimer of opinion for the audit, we are unable to reach a final conclusion on this area
Specified procedures for the Whole of Government Accounts	We are required to carry out specified procedures on behalf of the NAO on the WGA consolidation pack under WGA group audit instructions. Group instructions were issued in August 2025 which set out the procedures that the NAO require from component auditors. However, the NAO may direct auditors of components below the audit threshold to undertake additional work. The Council does not exceed the audit threshold for detailed testing set out in the group instructions. Submission of a partial assurance statement is required.	We will complete and submit a partial assurance statement after issue of our auditor's report and await further guidance on whether or not any additional testing is required.
Certification of closure of the audit	We are required to certify the closure of the audit on completion of all audit work for the financial year required under the Code.	We cannot issue our certificate of closure until the Comptroller and Audit General has certified the WGA for 2024-25. Our auditor's report will therefore include a delayed certificate.
Statutory powers and duties	We are required to report by exception if we have applied our other statutory powers or duties during the audit.	We have not exercised any of our additional statutory powers or duties.

Audit adjustments



Audit adjustments

Adjusted misstatements

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

Detail	CIES £000 DR (CR)	Balance sheet £000 DR (CR)	Impact on total net expenditure £000 DR (CR)	Impact on useable reserves £000 DR (CR)
Council dwellings valuation The draft valuation report prepared by the valuer indicated a total valuation of £722m; however, the final report shows a valuation of £719m. No adjustments were made at the time because the final report was received after the statement of accounts had already been published in July 2025 hence both the council dwellings and revaluation reserve was understated at 31 March 2025.		DR Revaluation reserve- 2,638 CR Council dwellings- (2,638)	0	0
Reclassification of assets from Assets Held for Sale (AHFS) to Investment Property The asset was incorrectly classified as AHFS IN 2023/24. However, this is an Investment Property hence the AHFS opening balance was overstated by £2.013m and the Investment Property opening balance was understated in 2024/25.		DR Investment Properties - 2,013 CR Assets Held for Sale – 2,013	0	0
Expected credit losses Expected credit loss assessments were undertaken in respect of long-term debtors due from the Council's subsidiaries, Marshgate and Queensway. This identified expected credit losses of £0.058m and £2.1m respectively, with the latter being material.		Dr Deferred capital receipts – £2,158 CR Long term debtors (Allowance for credit losses)- £2,158	0	0
Overall impact			0	0

Audit adjustments

Adjusted misstatements

Detail	CIES £000 DR (CR)	Balance sheet £000 DR (CR)	Impact on total net expenditure £000 DR (CR)	Impact on useable reserves £000 DR (CR)
<u>Reclassification of assets from Assets Held for Sale (AHFS) to Community assets</u> The asset was initially classified as held for sale in the prior year, as it was actively marketed for sale. As the sale was no longer considered probable, the Council reclassified the asset as a community asset; however, this reclassification is incorrect. The asset is not operational and should therefore be classified as a surplus asset. The Council has agreed that the reclassification to community assets was incorrect. As we are disclaiming our opinion, we have not undertaken further procedures to identify whether this error would extrapolate to a potentially material uncertainty. Management has amended the accounts for this classification issue.		DR Surplus Assets - 206 CR Community Assets – (206)	0	0
Overall impact			0	0

Audit adjustments

Unadjusted misstatements

The table below provides details of adjustments identified during the audit which have not been made in the final set of financial statements. The Audit Committee is required to approve management's proposed treatment of all items in the table below.

Detail	CIES £000 DR (CR)	Balance sheet £000 DR (CR)	Impact on total net expenditure £000 DR (CR)	Impact on useable reserves £000 DR (CR)	Reason for not adjusting
<u>Other Land and buildings valuation</u> The revaluation amount per the financial statements is different from the amount per the financial statements. No adjustments were made at the time because the final report was received after the statement of accounts had already been published in July 2025.		DR Revaluation reserve - 106 CR Other Land and buildings (PPE) –(106)	0	0	Immaterial

Audit adjustments

Unadjusted misstatements

The table below provides details of adjustments identified during the audit which have not been made in the final set of financial statements. The Audit Committee is required to approve management's proposed treatment of all items in the table below.

Detail	CIES £000 DR (CR)	Balance sheet £000 DR (CR)	Impact on total net expenditure £000 DR (CR)	Impact on useable reserves £000 DR (CR)	Reason for not adjusting
Additions As part of our audit testing, we identified a misstatement of £12.7k which resulted in an unadjusted extrapolated error of £103k. This arose from an invoice dated September 2023 that was not received and processed until 2024/25, leading to recognition in the incorrect accounting period.		Dr Additions 103 CR Trade creditors- (103)	0	0	Immaterial and extrapolated
Overall impact			0	0	

Audit adjustments

Misclassification and disclosure changes

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

Disclosure / issue / omission	Outcome	Adjustment agreed?
<u>Note 22. Financial Instruments (Borrowings)</u> - Financial liabilities at amortised cost are recorded at £441k; however, this needs to be adjusted to £941k to incorporate the PWLB loan short-term borrowing component. Of the total PWLB loan of £247,987k, £500k falls under current liabilities based on the maturity dates, hence the need to update the figure from £441k to £941k.	Management has agreed to make the necessary changes.	Y
<u>Note 22. Financial Instruments (Debtors)</u> -Total debtors do not cast- it should be 11, 558k not £11,961k The Total financial assets should be £37,164k and not £36,761k	Management has agreed to make the necessary changes.	Y
<u>HRA 6. Capital expenditure, Financing and Receipts</u> - The new council housing figure for 2023/24 differs from the signed accounts. In the current accounts, it is shown as £15,465k, whereas it was £5,284k in the prior-year accounts..	Management has agreed to make the necessary changes.	Y
<u>Prior adjustment on the reclassification of Plant & Equipment to Council Dwellings</u> To correct prior-year misclassification of dwelling addition (£2,484k) incorrectly recorded as Plant & Equipment. Adjustment reduces P&E and reverses the associated revaluation uplift to maintain alignment with Savills 2023/24 valuation. Further, to correct overstated depreciation (£497k) arising from prior-year asset misclassification. Adjustment reduces HRA depreciation charge with offsetting entry to the CAA, leaving HRA reserves unchanged.	Management identified this prior period error and has confirmed they will adjust the accounts	Y
<u>Minor presentational, formatting and disclosure issues</u> - We proposed a number of minor changes and narrative amendments to improve the presentation of the accounts.	Management has agreed to make the necessary changes.	Y

Audit adjustments

Impact of prior year unadjusted misstatements on the 2024/25 financial statements

No unadjusted misstatements were reported in the prior year audit.

Building back assurance

Building back assurance

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

Build back activity	Commentary
Risk Assessment (LARRIG 06) We are required by LARRIG 06 to evaluate the inherent risk of material misstatement in the opening general fund and HRA balances and associated earmarked reserves following prior year disclaimers. This in turn informs the volume of work necessary to recover assurance over the reserves position as a 1 March 2025.	We have considered the guidance set out in LARRIG 06 issued by the National Audit Office to determine the risk of material misstatement in the general fund and HRA reserves of the Council at 1 March 2025. This involved a detailed assessment of a number of risk factors, as set out in LARRIG 06, including consideration of the following: • 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

Building back assurance

LARRIG06 Qualitative risk assessment: Outcome
We have undertaken comprehensive procedures in this area as part of our build-back risk assessment in accordance with the requirements and statutory considerations set out in LARRIG06. As part of our procedures under this stream we had planned to reconcile the financial statements to the general ledger and the trial balance for the current year and each previously disclaimed year, tracing back to the last clean opinion dated 31 March 2021. The reconciliation for the accounts as at 31 March 2024 was completed in the prior year with no issues noted. For the years ended 31 March 2022 and 31 March 2023, we have reconciled the balance sheet to the trial balance (TB), with the exception of Note 5 – Expenditure and Income Analysis by Nature. However, we have not been able to reconcile the balance sheet to the general ledger (GL) due to manual adjustments resulting in material variances between each line item. Furthermore, we have been unable to reconcile the Comprehensive Income and Expenditure Statement (CIES) to the TB and GL due to these manual adjustments made by the Council. Additional time was spent by audit and management to interrogate these matters. We have agreed with management that there will not be sufficient time for the finalisation of this work ahead of the backstop date. We will continue this work during the 2025/26 audit. Based on the work performed to date, we have determined that Stevenage Council is at the higher end of the risk spectrum for build-back purposes. This is because a number of factors indicating high risk, as per LARRIG06, are features of the Council, including the complexity of the financial statements, the significant income strip investment and related transactions, the presence of a large HRA and challenges we have encountered agreeing historic accounts to the trial balance and reserves movements across the disclaimed period. As a result, full build back procedures will be required in the coming years in respect of income and expenditure in the disclaimed period.

Building back assurance

Build back activity	Commentary	Outcome
Phase 2: Build back of assurance in respect of Property, Plant and Equipment over the disclaimed period 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.	We have undertaken procedures to substantively test disposals, additions, reclassifications and other PPE movements back to the last clean audit opinion. The work also included reconciling the Fixed Asset Register (FAR) to the general ledger balances and reconciling both of these to the accounts for each disclaimed year. **Disposals:** We have commenced our procedures on disposals over the disclaimed period. We have reviewed breakdowns provided by management and evidence to support some transactions. Other transactions break down into a significant number of smaller individual transactions and there was insufficient time to complete this work before the backstop date. Due to time constraints, it was agreed with the finance team to prioritise other matters, and it was agreed with management that we would return to this testing at a later date. **Additions:** We have commenced our procedures on capital additions over the disclaimed period. Stevenage is a large council with a significant volume of transactions across the period. Given the volume of work involved we have not yet concluded our work in this area and will continue our work in 2025/26. Due to time constraints with the volume of work required, the finance team had to prioritise issues, and it was agreed with management that we would return to this testing at a later date. **Reclassifications**: We have commenced our procedures over the disclaimed period. Reclassification listings have been provided and we will conclude the remaining procedures in 2025/26. Consequently, further work remains outstanding for additions, disposals, reclassifications and depreciation across the disclaimed years to recover assurance and build back to the last clean opinion.	We have started but not been able to conclude our work for the reasons set out to the left. All time allocated to this task for 2024/25 has been utilised and the constraints posed by the statutory backstop date means the work has not yet been able to be concluded We will continue our work on this in 2025/26.

Building back assurance

Build back activity	Commentary	Outcome
Phase 2: Build back of assurance in respect of other balances directly influenced by the opening position over the disclaimed period 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.	We have commenced our procedures in this area but further work is required in order to conclude. The balances in question include: • Queensway income strip transactions: work has commenced in this area and is currently ongoing. This includes consideration of the calculation of the expected interest rate against CIPFA Code requirements and the judgements informing the accounting for the lump sum paid to the Council at the inception of the scheme, as well as the annual transactions relating to the income strip throughout the disclaimed period. • Long term debtors: work has commenced in this area and is currently ongoing • Collection fund debtors and creditors: work has commenced in this area and will be concluded once historic, related income and expenditure and collection fund transactions have been substantively tested and recovered. • Pension liability: work has commenced in this area and will be concluded following the pension fund triennial valuation due in 2025/26. • Provisions: additional work is required in respect of the NNDR appeals provision as the closing balance is directly influenced by the opening position.	Due to time constraints imposed by the backstop date, we were unable to fully conclude our build-back work on other balance sheet line items. The work on the income strip build back will taken through to completion with findings reported to you. This includes the work on the associated long-term debtors and liabilities. Collection fund debtors and creditors will be concluded once we have obtained build-back assurance over the collection fund from the disclaimed years.

Building back assurance

Build back activity	Commentary	Outcome
Phase 3: Build back of assurance in respect of unusable and useable reserves	We have undertaken our procedures, which includes reconciling and validating movements within the Movement in Reserves Statements (MIRS) for each disclaimed audit period back to the last clean opinion. During our review we noted that several changes had been made to the comparatives in the 2022/23 accounts in these notes, meaning the comparatives differed from the figures originally presented in the 2021/22 accounts. These changes resulted in variances between the revised adjustments note and the initial reserve movements note. This may be due to amendments in the unusable reserve analysis for the 2022/23 comparatives, but to confirm this we need to obtain additional detail on useable reserve movements sitting behind the 2022/23 and 2023/24 financial statements. Overall, the variances net to zero within individual reserves, so the closing balances appear reasonable. However, to verify this, we will need an updated analysis of movements in unusable reserves for 2021/22. If this aligns with the updated MIRS adjustments, we should be able to resolve most variances. We intend to conclude this work in the near future.	All time allocated to this task for 2024/25 has been utilised and the constraints posed by the statutory backstop date means the work has not yet been able to be concluded We will conclude our work on this in 2025/26.

Value for money

Value for money

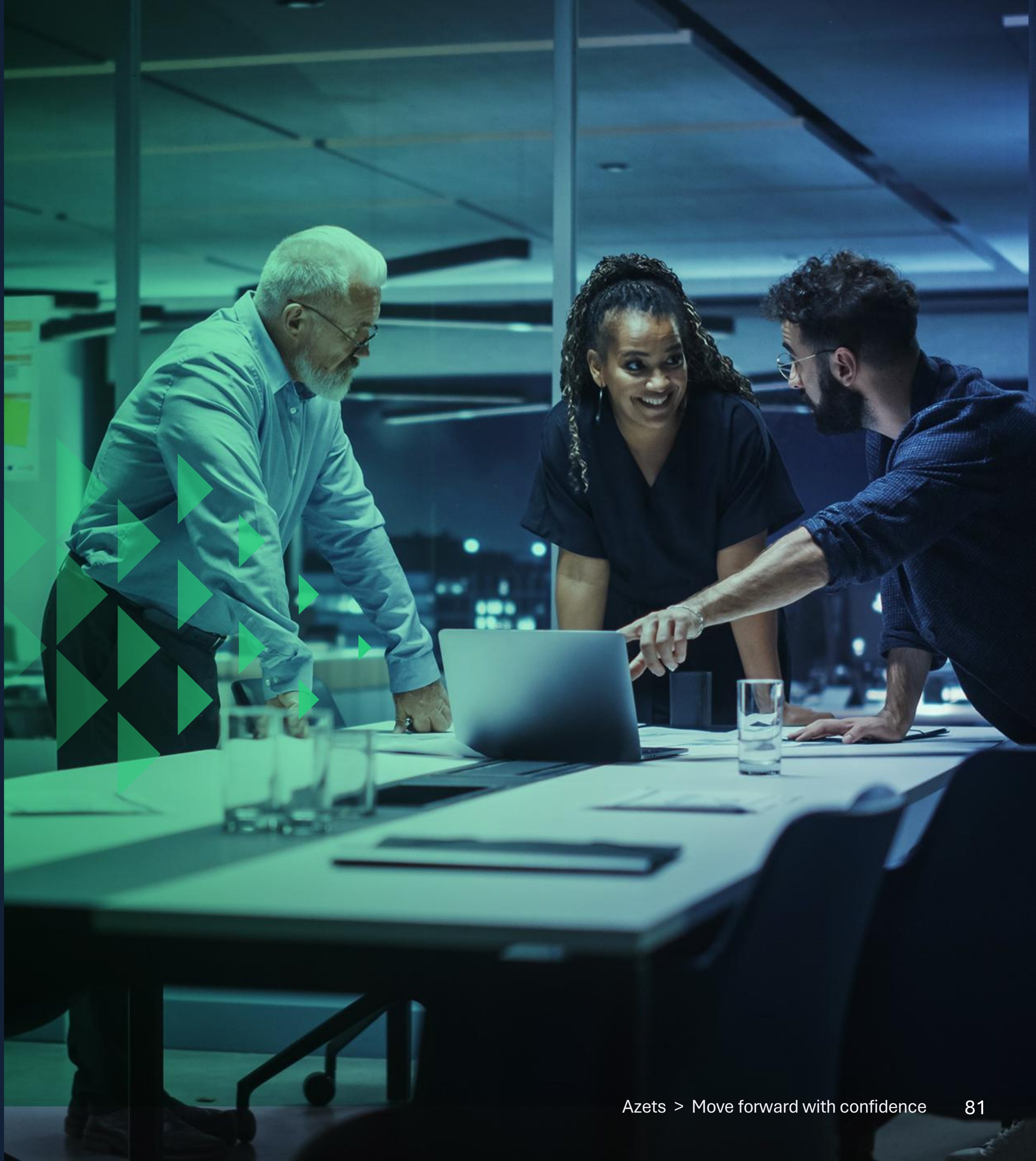
We are required to consider whether the Council has established proper arrangements to secure economy, efficiency and effectiveness in its use of resources, as set out in the NAO Code of Practice 2024 and the requirements of Auditor Guidance Note 3 (‘AGN 03’).

We have completed our value for money work. Our detailed findings were reported in our Auditor’s Annual Report in November 2025.

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

Reporting criteria	Planning – risk of significant weakness identified?	Final – significant weakness identified?	Recommendations made		
			Statutory	Key	Other
Financial sustainability How the body plans and manages its resources to ensure it can continue to deliver its services	No	No	No	No	Yes
Governance How the body ensures it makes informed decisions and properly manages risk	No	No	No	No	Yes
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	No	No	No	No	No

Independence and ethics



Independence and ethics

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

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

In particular: -

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

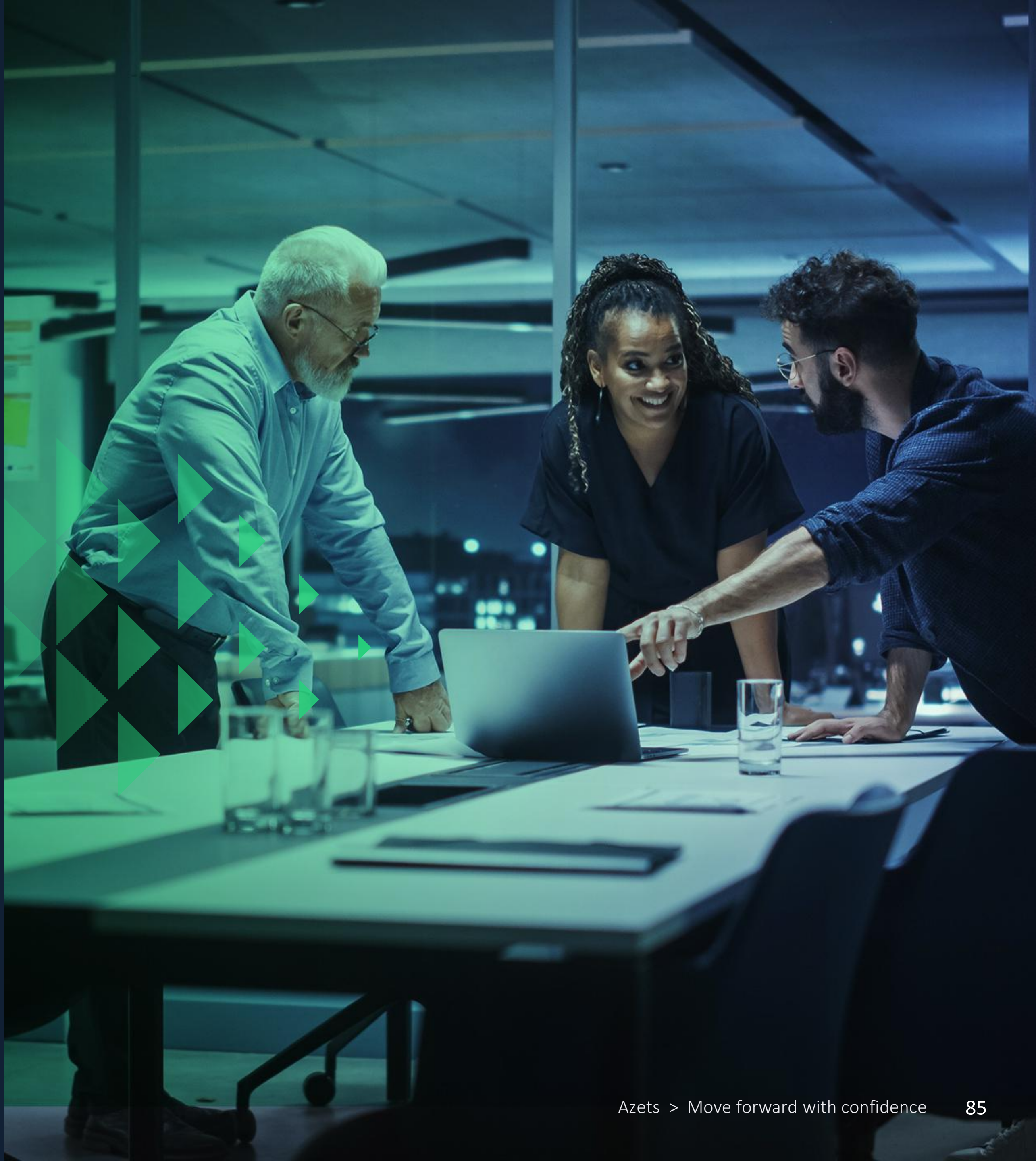
Non-audit service fees

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

Appendices

Appendices

Recommendations



Appendix I: Recommendations – IT controls

Recommendations identified during the course of our audit.

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

Assessment	Issue	Recommendation	Management response
GREEN	Stevenage Borough Council has in place an IT Acceptable Use Policy which communicates information and cyber security responsibilities to staff. There is no clear version control applied to this policy, with no review dates or frequencies applied. This is also the case for the Data Protection Policy, which sets out responsibilities of staff with direct relevance to data protection. There is a risk that, without a predefined review cycle, policies may not be reviewed regularly or in a timely manner. This may lead to outdated guidance or misalignment with evolving threats and risks, regulatory requirements, and organisational changes. This may lead to gaps in the organisation's security posture and staff awareness of key responsibilities in maintaining confidentiality, integrity and availability of information.	Stevenage Borough Council should establish a predefined review for all cyber related policies, including the IT Acceptable Use Policy and Data Protection Policy, to ensure they are assessed and updated at appropriate intervals. This will help maintain alignment with emerging risks, regulatory changes, and best practice, ensuring staff responsibilities for information and cyber security remain clear and up to date.	We have implemented a SharePoint review schedule (9/2/25) to track the review/approval dates for policies and standards, as well as their following scheduled review dates. A screenshot has been uploaded to Cozone (EHDC and SBC - Observations Log - SharePoint review site). Version control Action Plan: Agree on a version control standard and apply it to all ICT-generated policies and standards. Timeline: Implement by 31/3/2026

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

Appendix I: Recommendations – IT controls

Assessment	Issue	Recommendation	Management response
GREEN	The council has documented key roles and their related responsibilities with direct relevance to data protection within the Data Protection Policy. There is no wider, formal documentation of the responsibilities assigned to those in key roles, and the Council does not have an Information Security Policy in place. Without formal, approved and easily accessible documentation in place which communicates the responsibilities of staff with specialist/dedicated information and cyber security roles, there is a risk that individuals will not be aware of good practice and the responsibilities expected of them. This may impact upon their ability to successfully fulfil these roles, and on the awareness of general staff with regard to who can provide support in particular areas.	Stevenage Borough Council should ensure that key information and cyber security roles at all levels of the organisation are documented within policy alongside their associated responsibilities. The Council may wish to consider implementing an overarching Information Security Policy in which this can be done.	ICT and the Leadership Team will consider this recommendation and will determine the most appropriate approach to best meet these recommendations. Timeline: Implement by 31/12/25

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

Appendix I: Recommendations – IT controls

Assessment	Issue	Recommendation	Management response
GREEN	Stevenage Borough Council has in place a CIRP, BCP and Phishing Incident Response Playbook which, jointly, set out the organisation's approach to cyber incident response. The Council has evidenced consideration of the detection of, management of and response to cyber security incidents. It is noted that the CIRP, BCP and Information Security Incident Management Policy and Procedure are all undated, with no version control applied. There is a risk that if incident response planning is not kept up-to-date, plans and procedures may not reflect current threats, technologies, or organisational changes. This could lead to delays or inadequate response during an actual incident.	The Council should establish a regular review and approval process for incident response planning. This should occur on an annual basis or in response to any significant changes. Requirements for review should be documented within procedure to ensure accountability.	We have implemented a SharePoint review schedule (9/2/25) to track the review/approval dates for policies and standards, as well as their following scheduled review dates. A screenshot has been uploaded to Cozone (EHDC and SBC - Observations Log - SharePoint review site). Version control Action Plan: Agree on a version control standard and apply it to all ICT-generated policies and standards. Timeline: Implement by 31/10/25.
GREEN	The Access Control, Acceptable Use and Backups Policy lack a version control, and we are unable to determine when the policies were last updated. An out-of-date policy is likely to drive an inconsistent approach to the design, implementation and/or operating effectiveness of the processes and controls	We recommend implementing a version control to all policies to enable the last changed date and approvals to be recorded. Policies should be kept up-to-date and relevant to the organisational processes.	We have implemented a SharePoint review schedule (9/2/25) to track the review/approval dates for policies and standards, as well as their following scheduled review dates. A screenshot has been uploaded to Cozone (EHDC and SBC - Observations Log - SharePoint review site). Version control Action Plan: Agree on a version control standard and apply it to all ICT-generated policies and standards. Timeline: Implement by 31/10/25.

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

Appendix I: Recommendations – IT controls

Assessment	Issue	Recommendation	Management response
GREEN	The Council does not undertake user access reviews of Active Directory accounts. There is no process in place to review the appropriateness of active users in the finance system. A lack of periodic review of user access could result in inappropriate, excessive or unauthorised access being available to users/leavers.	We recommend conducting a review of all users on at least an annual basis to ensure access is appropriate and necessary.	An Active Directory hygiene check is underway. The initial focus is privileged accounts, then service accounts and finally user accounts. User accounts ICT will create a new policy for a regular validation of user accounts to ensure they are still required. Finance system access The Stevenage Borough Council finance systems team will need to respond to this finding.
GREEN	Stevenage Borough Council has not undertaken any testing of cyber incident response planning materials during the reporting period. If regular, holistic testing and exercising of plans is not undertaken, there is a risk that individuals with incident response roles will be underprepared to act effectively during an incident. There is also a risk that plans may become inappropriate in nature, failing to take into account changes made within t	Stevenage Borough Council should ensure that requirements for testing/exercising and subsequent lessons learned activities are set out within the CIRP. Incident response plans should be subject to regular testing to assess the effectiveness of response and recovery procedures, with tests encompassing formats such as desktop scenarios and simulations. Testing should be documented, with lessons learned activities performed and used to inform planning going forward.	A joint Stevenage Borough Council and East Herts District Council incident response tabletop exercise was implemented successfully on 12 September 2025.

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

Appendix I: Recommendations – IT controls

Assessment	Issue	Recommendation	Management response
GREEN	The password policy does not align to the NCSC best practice guidance for, 'Minimum Length. Weak password management controls result in an increased likelihood of brute-force attack (i.e. a password cracking method used by cyber-criminals used to determine account credentials)	We recommend that the minimum length should be increased to 12 characters. The password policy should be reviewed and updated to align with NCSC best practice guidance which is as follows; - User ID and Password required (unless SSO is used) - Minimum length: 12 characters - Complexity: Disabled - Password History: 8-24 passwords - Lockout Threshold: 5-10 attempts - Logout Duration: 2-15 minutes - Multi-factor Authentication: Enabled	RFC (Request for Change) number 356 was implemented on Tue, 09/09/25, to increase the minimum password length to 12. We have uploaded screenshots to Cozone to evidence the impact of the change (SBC - Observations Log - Password Minimum Length).

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

Appendix I: Recommendations – IT controls

Assessment	Issue	Recommendation	Management response
AMBER	We identified 127 generic accounts, some with unknown usage, passwords or access. We sampled 5 generic accounts to understand their use and access. 3 of these accounts had unknown usage and unknown passwords and were found to be not appropriate. Access to systems relevant to financial reporting processes is not attributable to individual users, thus reducing the ability to monitor appropriate and/or inappropriate activities in the system.	We recommend conducting a review of all users in Active Directory to ensure their access to the network is necessary and appropriate. Non-attributable (generic) accounts should be limited and restricted. The passwords to generic accounts should be stored in a password manager and only accessible by appropriate members of the team.	An Active Directory hygiene check is underway. The initial focus is privileged accounts, then service accounts and finally user accounts. Generic accounts Action Plan: Identify all generic accounts and rigorously reassess the justification for their continued usage. This review will ensure that each generic account remains necessary and that its usage aligns with current security policies and operational requirements. For generic accounts that are still required, an expiry date will be set, and passwords will be stored in 1Password (where applicable). Timeline: Implement by 31/3/2026.
AMBER	We identified 2 domain administrator accounts which are under review for appropriateness. Excessive privileges/administrator rights increases the likelihood that IT general controls can be changed, suppressed or circumvented thus reducing the consistency of the control operation (this access could be to data files, database tables, configuration, job schedules, batch routines and/or system generated reports.	We recommend conducting a review of all users including those with elevated privileges such as domain, enterprise and global administrators to ensure their access is appropriate and necessary to perform their job role.	An Active Directory hygiene check is underway. The initial focus is privileged accounts, then service accounts and finally user accounts. Privileged accounts All privileged accounts will be reviewed, their usage will be documented, and we will ensure that passwords are complex and stored in 1Password, where appropriate. Privileged accounts will be reviewed monthly to validate that they are still required. Timeline: Implement by 31/3/2026.

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

Appendix I: Recommendations – financial statements

Assessment	Issue	Recommendation	Management response
AMBER	Additional time was required to reconcile and map the general ledger to the Income and Expenditure by Nature note. Management provided a mapping document; however, a significant number of balances within the mapping were either linked to other notes or hard-typed rather than directly derived from the ledger. This limited our ability to clearly trace amounts back to the underlying ledger and made the reconciliation process challenging. Although discrepancies were identified and investigated, they could not be fully resolved, and as a result, we were unable to obtain a complete reconciliation of the note to the ledger. The matter relates to journal mapping and the process of agreeing the ledger to the accounts, including the allocation of balances to the Income and Expenditure by Nature note. Management provided alternative backup to Note 5 on 3 February 2026; however, we have not been able to review this due to the time constraint imposed by the national statutory backstop. As a result, we have not yet been able to conclude our procedures in relation to these off-ledger journals	The income and expenditure note should be mapped and reconciled to the general ledger before the accounts are submitted for audit, to enable the efficient progress of the audit and the selection of transaction samples for testing. This will be particularly important over the next few years to enable the build back of assurance over the disclaimed period.	TBA
AMBER	We were unable to complete our PPE build back work for additions, disposals and classifications as listings from historic disclaimed years did not reconcile to the accounts	The Council should ensure listings for addition, disposals and reclassifications for each disclaimed year are available and reconciled to the accounts.	TBA

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

Appendix I: Internal control recommendations

Follow up of prior year recommendations

Assessment 2023/24	Issue	Recommendation	Auditor update 2024/25	Outcome
AMBER	Stevenage Borough Council maintains an up-to-date and approved risk management framework, and we viewed evidence that risks were reported against to the February 2024 SLT meeting. However, as neither a Strategic or Corporate Risk Register could be provided for review, it is unclear if there is a process in place to actively track and manage cyber risks.	The Council should ensure that they are capturing and monitoring cyber risks within existing risk registers such as Strategic, Corporate or Operational level risk registers. This will help to ensure that original risk ratings, mitigations, residual risks and risk owners etc. are clear for each risk.	This issue has been addressed since the audit took place, and the cyber risks are now included in the risk registers	Action completed. Recommendation closed
AMBER	Stevenage Borough Council has an approach in place by which the results of scans are used to inform action planning. However, the planning does not include timescales that can be tracked and monitored, and an update has not been completed since the date when all actions were due to be completed	The Council should ensure that action planning is subject to ongoing monitoring to ensure that due dates can be met or mitigating controls and revised due dates put in place.	As of 15 July 2025, the council appointed the Cyber Manager and an ICT Senior Cyber Technical Engineer who will oversee the results of scans and implement mitigation controls based on the action plan derived from these scans.	Action completed. Recommendation closed

Appendix I: Internal control recommendations

Follow up of prior year recommendations

Assessment 2023/24	Issue	Recommendation	Auditor update 2024/25	Outcome
AMBER	The council has recently implemented a process by which suppliers and third-parties can be assessed with regards to their cyber security. The Council has not clearly defined how this assessment should be applied and responses assessed to identify the suitability of potential partners. There is, at present, no ongoing monitoring or re-review of existing partners in place.	The council should enhance their existing processes by defining thresholds by which response documents can be reviewed and risks/threats to third-party provisions identified. For example, this risk assessment should be based on a pre-defined set of requirements set by the Council to form a baseline maturity which third-parties must meet. The frequency of re-assessments should be based on the criticality of the supplier.	As of July 15th, the council appointed a Cyber Manager and an ICT Senior Cyber Technical Engineer. They have assessed their third-party cloud providers against the NCSC's 14 Cloud Security Principles. Additionally, exploring the implementation of Risk Ledger to manage and enhance these processes	Action completed. Recommendation closed
AMBER	The Council has not formally documented the key roles and responsibilities for cyber security at either an operational or management level.	The council should ensure that key cyber security roles at all levels are documented within policy, alongside their associated responsibilities. This should include the responsibilities of all staff and executive management, as well as those in named cyber security roles (e.g., SIRO).	The ICT and leadership teams will consider this recommendation and determine the most appropriate approach to best address it. The implementation date is 31 December 2025; therefore, the recommendation has been carried forward to the 31 March 2025 work.	Action in progress. Recommendation remains open

Appendix I: Internal control recommendations

Follow up of prior year recommendations

Assessment 2023/24	Issue	Recommendation	Auditor update 2024/25	Outcome
AMBER	Stevenage Borough Council does not have an Information Security Policy which sets out the high-level objectives and requirements of the organisation, including those requirements related to training or the roles and responsibilities of individuals. The existing Acceptable Use Policy is limited in its provision of responsibilities, although it is acknowledged that an updated version (which currently remains in draft) sets out more detailed guidance for staff. Mandatory cyber security training is carried out, and completion rates can be monitored.	Stevenage Borough Council should prioritise the approval and implementation of the new Acceptable Use Policy to ensure user responsibilities are set out in full. It may also be prudent to design, approve and implement an Information Security Policy which sets out the high-level objectives and requirements of the organisation, including key roles and responsibilities (e.g. of relevant governance groups and accountable individuals) and requirements for information security training.	This has been addressed with no further issues note.	Action completed. Recommendation closed
AMBER	The Council does not have in place an Information Asset Register which records key information assets alongside details such as the relevant IAO, storage location, and retention period. There is no Asset Management Policy in place, and the Access Control Policy does not sufficiently set out approaches to and requirements for authentication, role-based access, or access rights review.	The Council should implement an Information Asset Register which records key aspects expected by the ICO (e.g., IAO, Location, Retention Period, Security Measures.) This should be supported by an Asset Management Policy which sets out the Council's approach to identifying, managing and protecting critical information assets.	This has been addressed; the council created an Information Asset Register along with an Information Management policy.	Action completed. Recommendation closed

Appendix I: Internal control recommendations

Follow up of prior year recommendations

Assessment 2023/24	Issue	Recommendation	Auditor update 2024/25	Outcome
AMBER	Stevenage Borough Council conducts vulnerability scanning and receives alerts from the NCSC Early Warning Alerts. However, no evidence could be provided for alerts raised in response to suspicious activity such as firewall alerts, antivirus alerts or suspicious logins.	The Council should ensure that alerts are raised and can be investigated in response to suspicious activity. This should include event information from firewall tooling, antivirus tooling, and suspicious login information.	The council appointed a Cyber Manager and ICT Senior Cyber Technical Engineer who have addressed this issue	Action completed. Recommendation closed
AMBER	The Council has a response policy and procedure in place, although such documentation remains undated with a lack of clarity as to their validity and currency. A desktop exercise has been held and lessons learned from this are planned to be incorporated into response plans. However, for subsequent exercises (e.g., NCSC Exercise in a Box), we have not received evidence of lessons learned reporting being used to inform incident response approaches going forward.	The council should review and update their incident response policy and procedure. This will help to ensure that their approach to incident management and response is up-to-date and reviewed on a regular basis (e.g., annually and in response to any significant organisational or environmental changes).	As of 15 July 2025, the council has appointed a Cyber Manger an ICT Senior Cyber Technical Engineer who has addressed this issue.	Action completed. Recommendation closed
AMBER	Stevenage Borough Council has a response policy and procedure in place, although such documentation remains undated with a lack of clarity as to their validity and currency. A desktop exercise has been held and lessons learned from this are planned to be incorporated into response plans. However, for subsequent exercises (e.g., NCSC Exercise in a Box), we have not received evidence of lessons learned reporting being used to inform incident response approaches going forward.	The council should ensure that testing is fully documented, with lessons learned activities performed and used to inform planning going forward.	This issue has been addressed, and annual testing now takes place	Action completed. Recommendation closed

Appendix I: Internal control recommendations

Follow up of prior year recommendations

Assessment 2023/24	Issue	Recommendation	Auditor update 2024/25	Outcome
AMBER	The council has a bank account with HSBC that is used for redevelopment of the Queensway block, which is shared between three parties. This has been omitted from the accounts as the council is not aware of the split between the three parties	The Council should clarify the split, identify the value of the asset belonging to the Council and update the accounts accordingly. Regular reviews of shared accounts should be implemented to ensure all parties are aware of their responsibilities and that the financial arrangements remain accurate and up to date.	Management not that the account has been closed and the balanced returned to the council. Due to time constraints, we were unable to conclude on this matter and will therefore review it as part of the 31 March 2026 audit.	Action completed. Recommendation closed
AMBER	The council has a bank account that they don't utilise	Unused bank accounts should be closed as they might be prone to fraud and unauthorized access if not regularly monitored	The unused bank account has been closed.	Action completed. Recommendation closed

Fees

Appendix II: Fees

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

Audit fees	Proposed fee £	Final fee £
Scale fee – base fee for the audit of the Council (and Group's) financial statements (as set out in the scale fees issued by PSAA)		
Core work: Undertaking work on balances that have not been subject to audit for several years necessarily means the audit on the current year balances takes longer than would ordinarily be the case. Additional time from within the scale was therefore focused on this in line with our build back plan. Our scale fee work in 2024/25 was focused on recovery of year end balance sheet positions, journals, fraud testing and in-year reserves movements and analysis. Our findings from this work, including challenges encountered, are set out throughout this report. This fee also includes all work relating to value for money and IT general controls. Our Auditor's Annual Report was issued in November 2025, contained 14 recommendations and covered a wide breadth of risk areas. Our ITGC work is reported in this document and comprises 9 recommendations.	219,875	219,875
In year quality and preparation issues: Management has been engaged and supportive. The matters reported in this report are not a reflection of a lack of engagement from management nor a reflection of poor quality in management's processes or preparation. Rather they are unavoidable implications arising from a position wherein the Council's accounts have not been audited for several years.	0	0
Other fees		
IFRS16 Leases: work needed to audit the new standard. PSAA have confirmed this work is not included in the above scale fee. We have undertaken our procedures for this work but have absorbed the additional costs within the scale fee, above	TBC	Included above
VFM additional risks: Our value for money work included detailed consideration across a wide breadth of risks and resulted in 14 recommendations. The costs of this work has been absorbed within the above scale fee	TBC	Included in scale fee, above
Sub total	TBC	219,875

Appendix II: Fees

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

Audit fees	Proposed fee £	Final fee £
Disclaimer reporting fees		
Disclaimer fees: in year disclaimer planning and reporting. Additional work required to issue the disclaimer of opinion. This includes the extended reporting contained in this report and the audit plan, additional review and consultation requirements and additional file documentation requirements.	TBC	22,095
Build back fees		
LARRIG06 qualitative risk assessment: This includes all work to do on the LARRIG06 comprehensive build-back risk assessment, the identification of historic risk factors and the full consideration of the Council's complexity and control environment for all audit years back to 2021/21.	TBC	21,950
LARRIG06 quantitative risk assessment: Includes all work to date on MIRS movements, analysis and assessment over the disclaimed years, the identification of historic anomalies and an assessment of the position over the full disclaimed period.	TBC	17,035
PPE build back work to date to the last clean opinion over 3 disclaimed years: This includes all work over additions, disposals, reclassifications, other PPE movements and depreciation to date for each audit year back to 2020/21.	TBC	18,900
Income strip build back work to date over the 3 disclaimed years: This includes work to date tracing historic accounting transactions over the past three years of the income strip scheme back to 2020/21.	TBC	19,722
Work on prior year disclaimed years: This work includes work in disclaimed years including journals, trial balance agreement, control environment assessment and review of predecessor audit files. A small amount of work was undertaken this year and this has been included above in the quantitative and qualitative risk assessment fees above. Further work will be required as part of build back but, in line with our overarching build back plan, was not scheduled to take place in 2024/25.	0	0
Work on prior year disclaimed income and expenditure: This work will be required as part of build back but, in line with our overarching build back plan, was not scheduled to take place in 2024/25	0	0
Sub total	TBC	99,702

Appendix II: Fees

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

Audit fees	Proposed fee £	Final fee £
Build back fees		
Quality and preparation issues: Management has been engaged and supportive. The matters reported in this report are not a reflection of a lack of engagement from management nor a reflection of poor quality in management's processes or preparation. Rather they are unavoidable implications arising from a position wherein the Council's accounts have not been audited for several years. This includes the additional time where disclaimed year working papers were prepared by members of finance who are no longer with the Council. These are factors beyond the Council's control and are unavoidable costs of build-back. No avoidable costs have been identified.	TBC	0
VFM planning, undertaking and reporting: additional issues and risks arising from a prolonged period of disclaimed opinions have been included in the current scale fee.	TBC	0
Sub total	TBC	0
Sub-total carried forward from previous pages	TBC	319,577
Total audit fees	TBC	319,577

Appendix II: Fees

Analysis of build back fees

Component	Description	Fee for build back work	Fee for build back quality and preparation	Total fee for build back work
Opinion	Fee for work on opinion planning, undertaking and reporting	99,702	0	99,702
Value for money	Fee for work on VFM planning, undertaking and reporting	Included above	0	Included above
Total		99,702	0	99,702

Total fees

Non audit fees for other services	Proposed fee £	Final fee £
Housing Benefit (HBAP) certification (work currently ongoing)	28,000	TBC
Total non audit fees	**28,000**	**TBC**
Fees brought forward for the core audit and build back, plus disclaimer reporting costs (see previous page)	**319,577**	**TBC**
Total fees charged	**347,577**	**TBC**

The audit fees charged do not reconcile to the fees disclosed in the financial statements because they include an additional prior-year fee determined by the PSAA after the audit was concluded.

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

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