



Stevenage Borough Council

External Audit Plan
Year ended 31 March 2026

September 2026

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Adding value through the audit

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

Management responsibility

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

Introduction and audit scope



Introduction and audit scope

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

Scope of our audit

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

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

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

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

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

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

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

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



Introduction and audit scope

Our respective responsibilities

Management responsibilities	Auditor responsibilities	Statutory powers
Your responsibilities include: ▶ Preparing financial statements which give a true and fair view, in accordance with the applicable financial reporting framework and relevant legislation; ▶ Preparing and publishing, along with the financial statements, an annual governance statement and narrative report; ▶ Maintaining proper accounting records and preparing working papers to an acceptable professional standard that support your financial statements and related disclosures; ▶ Establishing and maintaining a sound system of internal control; ▶ Maintaining standards of conduct for the prevention and detection of fraud and other irregularities; ▶ Maintaining strong corporate governance arrangements and a financial position that is soundly based; ▶ Establishing and maintaining an effective internal audit function; and ▶ Ensuring the proper financial stewardship of public funds, complying with relevant legislation and establishing effective arrangements for governance, propriety and regularity.	Our primary responsibility is to form and express an independent opinion on the Council’s and Group’s financial statements, stating whether they provide a true and fair view and have been prepared properly in accordance with applicable law and the CIPFA Code of Practice on Local Authority Accounting in the UK (the ‘CIPFA Code’). We are also required to: ▶ Report on whether the other information included in the Statement of Accounts (including the Narrative Report and Annual Governance Statement) is consistent with the financial statements; ▶ Report by exception if the disclosures in the Annual Governance Statement are incomplete or if the Annual Governance Statement is misleading or inconsistent with our knowledge acquired during the audit; ▶ Report by exception any significant weaknesses identified in arrangements for securing value for money and a summary of associated recommendations; ▶ Report by exception on the use of our other statutory powers and duties; and ▶ Certify completion of our audit. We will issue our Audit Completion Report and an Auditors Annual Report to the Audit Committee setting out the findings from our work. The audit does not relieve management or the Audit Committee of your responsibilities, including those in relation to the preparation of the financial statements.	Under the Act we have a broad range of reporting responsibilities and powers that are unique to local authorities in the United Kingdom. These include: ▶ Reporting matters in the public interest; ▶ Making written recommendations to the Council; ▶ Making an application to the court for a declaration that an item of account is contrary to law; ▶ Issuing an advisory notice; ▶ Making an application for judicial review; and ▶ Giving electors the opportunity to raise questions about your financial statements and considering and deciding upon any objections received in relation to the financial statements.



Audit approach



Audit approach

General approach

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

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

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

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

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

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

Accounting systems and internal controls

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



Audit approach

Other key areas

Going concern: management responsibility	Going concern: auditor responsibility	Use of experts	Additional procedures required by the National Audit Office
Management is required to make and document an assessment of whether the Council and Group is a going concern when preparing the financial statements. The review period should cover at least 12 months from the date of approval of the financial statements. Management are also required to make balanced, proportionate and clear disclosures about going concern within the financial statements where material uncertainties exist in order to give a true and fair view.	Under ISA (UK) 570, we are required to consider the appropriateness of management’s use of the going concern assumption in the preparation of the financial statements and consider whether there are material uncertainties about the Council’s or Group’s ability to continue as a going concern that need to be disclosed in the financial statements. In assessing going concern, we will consider the guidance published in the CIPFA/LASAAC Code of Practice 2025/26 (CIPFA Code) and Practice Note 10 (PN10), which focuses on the anticipated future provision of services in the public sector rather than the future existence of the entity itself.	We will use audit specialists to assist us in our audit work in the following areas: • The audit of actuarial assumptions used in the calculation of the defined benefit pension liability/asset.	The National Audit Office (the ‘NAO’) issues group audit instructions which set out additional group audit requirements. We expect the procedures for this year to be similar to previous years. The NAO audit team for the WGA request us to undertake specific audit procedures in order to provide them with additional assurance over the amounts recorded in the Council’s WGA schedules. The extent of these procedures will depend on whether the Council has been selected by the NAO as a sampled component for 2025/26. As at the date of this report, the draft instructions have not yet been issued by the NAO, and the NAO has not yet confirmed which entities will be sampled components. We will comply with the instructions and to report to the NAO in accordance with their requirements once instructions have been issued.
Related party transactions			
ISA 550 requires that the audit process starts with the audited body providing a list of related parties to the auditor, including any entities under common control. During our initial audit planning you have informed us of the individuals and entities that you consider to be related parties. Please advise us of any changes as and when they arise.			

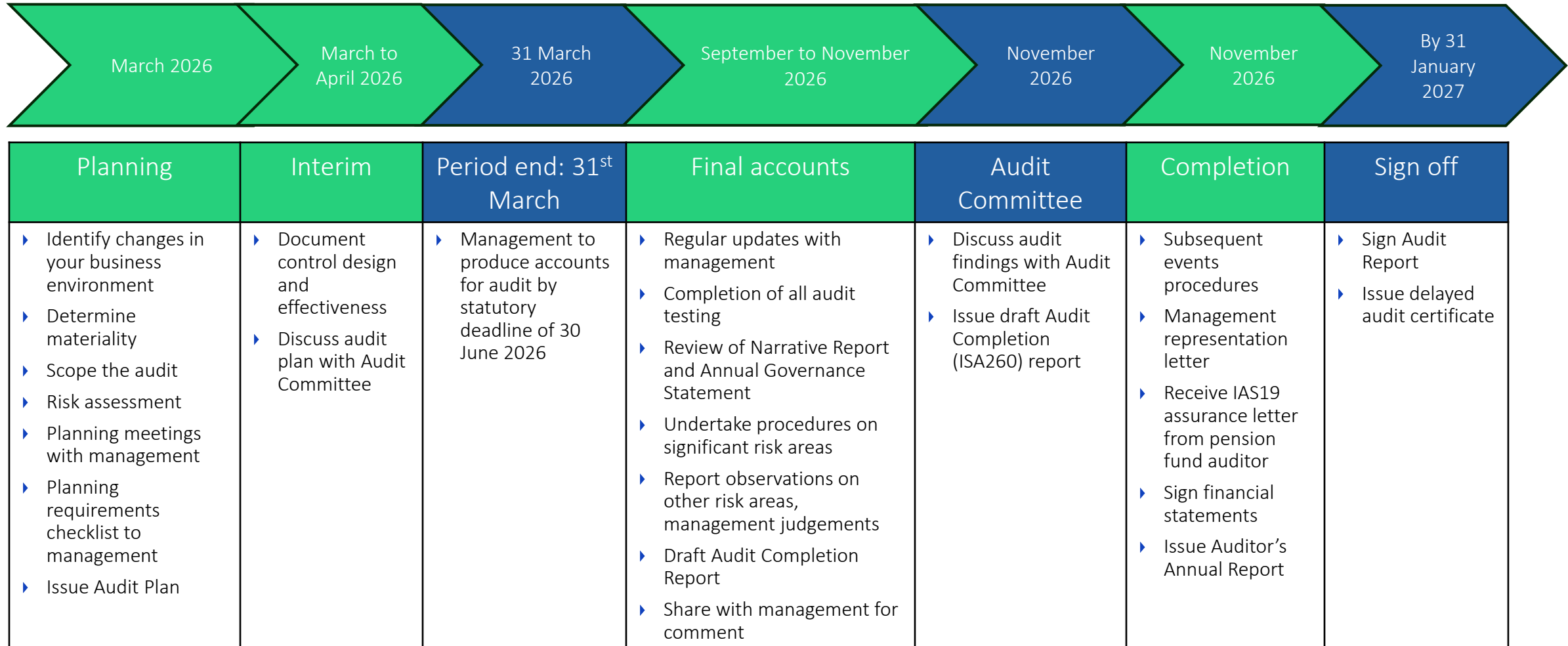


Audit timeline



Audit Timeline

The following timeline indicates the key milestones of the audit.



Materiality



Materiality

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

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

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

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

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

Our determination of materiality:

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

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

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



Materiality

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

	Group £000	Council £000	Explanation
Overall materiality for the financial statements	2,230	2,050	This is 2% (1.9% for Council) of gross revenue expenditure based on the prior year audited financial statements. This is a common measure for calculating materiality for councils as the primary interest of users of the Council's financial statements is in the cost of providing services, how the Council manages its spending and where the Council has expended its income during the year.
Performance materiality	1,450	1,332	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	111	102	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.



Significant and other risks of material misstatement



Significant risks of material misstatement

Significant risks are risks that require special audit consideration

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

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

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



Significant risks of material misstatement

Significant risks at the financial statement level

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

Significant risk	Audit approach
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 we will perform to mitigate risks of material misstatement in this area will include: • Documenting our understanding of the journals posting process and evaluating the design effectiveness and implementation of management controls over journals; • Analysing the journals listing and determining the criteria for selecting high risk and/or unusual journals; • Testing high risk and/or unusual journals posted during the year and after the draft accounts stage back to supporting documentation for appropriateness, corroboration and to ensure approval has been undertaken in line with the Council's and Group's journals policy; • Gaining an understanding of the key accounting estimates and critical judgements made by management. We will also challenge assumptions and consider for reasonableness and indicators of bias which could result in material misstatement due to fraud; and • Evaluating the rationale for any changes in accounting policies, estimate or significant unusual transactions.



Significant risks of material misstatement

Significant risk	Audit approach
Prior year opinion on the financial statements (Council and Group) As a result of the backstop implemented on 27 February 2026, a disclaimer audit opinion was provided on the Council and Group's 2024/25 financial statements. Disclaimed audit opinions have also been provided on the Council's accounts for the 2021/22, 2022/23 and 2023/24 financial years. 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 period/s. 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: • Prior year opinion on the financial statements: Very high	Procedures we will perform to mitigate risks of material misstatement in this area will include: • Considering the findings and outcomes of prior year audits and their impact on the 2025/26 audit; • Considering the impact on our audit of qualified or disclaimed audit opinions, particularly regarding opening balances and 'unaudited' transactions and management judgements made in the previous years which continue into 2025/26; • Perform a risk assessment in line with the LARRIG 06 guidance; • Determine an approach to rebuilding assurance in line with the LARRIG06 guidance; and • Considering the impact of any changes in Code requirements for financial reporting in previous and current audit years.



Significant risks of material misstatement

Significant risk	Audit approach
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 Council will also need to consider the impact of IFRS 16 on the income strip arrangement and how this is accounted for within the financial statements. The accounting transactions of the income strip affect various assertions across multiple items of account in the CIES, Balance Sheet and Movement in Reserves Statement. We have therefore assessed this as a significant risk at the financial statements level. Inherent risk of material misstatement: Very high	Procedures we will perform to mitigate risks of material misstatement in this area will include: • Review of management's accounting treatment for the commercial lease, residential lease and associated sublease arrangements, including consideration of lease incentives, lease classification, lease and borrowing components, and the treatment of related revenue streams, assets and liabilities; • Review of the valuation of leased assets at lease inception, including evaluation of the assumptions, methodologies, source data and work performed by management's valuation experts; • Assessment of key lease calculation inputs, including lease payments and discount rates used in measuring lease liabilities; • Verification of supporting documentation and contractual arrangements, including evidence relating to lease incentives and sublease agreements; • Assessment of management's accounting treatment against the requirements of the CIPFA Code and International Financial Reporting Standards (IFRS);and • Review of management's judgements relating to the application of IFRS 16, including the accounting treatment of lease arrangements and the associated income strip transaction.



Significant risks of material misstatement

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

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

Significant risk	Audit approach
Fraud in revenue recognition (Council and Group) Material misstatement due to fraudulent financial reporting relating to revenue recognition is a rebuttable presumed risk in ISA (UK) 240. Having considered the nature of the revenue streams at the Council, we consider that the risk of fraud in revenue recognition can be rebutted due to the following: • There is little incentive to manipulate revenue recognition; • Opportunities to manipulate revenue recognition are very limited; and • The culture and ethical frameworks of local authorities mean that all forms of fraud are seen as unacceptable. Therefore, we do not consider this to be a significant risk for the Council and Group Inherent risk of material misstatement: • Revenue recognition (Occurrence, Accuracy): Low • Debtors (Existence, Valuation): Low	We do not consider this to be a significant risk for the Council and Group and standard audit procedures will be carried out. We will keep this rebuttal under review throughout the audit to ensure this judgement remains appropriate. Procedures will include: • Documenting our understanding of the Council’s systems for income to identify significant classes of transactions, account balances and disclosures with a risk of material misstatement in the financial statements; • Evaluating the Council’s accounting policies for recognition of income and compliance with the CIPFA Code; and • Performing substantive testing of income and the associated receivables using tests of detail by ensuring they can be traced to appropriate supporting evidence.



Significant risks of material misstatement

Significant risk	Audit approach
Fraud in expenditure recognition (Council and Group) Due to the presumption that there are risks of fraud in expenditure recognition, we are required to evaluate which types of expenditure, expenditure transactions or assertions give rise to such risks. We have considered Practice Note 10, which comments that for certain public bodies, the risk of manipulating expenditure could exceed the risk of manipulating revenue. We have therefore considered the risk of fraud in expenditure at the Council for all expenditure streams and concluded that there is not a significant risk. This is due to the low fraud risk in the nature of the underlying nature of the transactions, the high predictability of certain expenditure streams, such as payroll or interest, or the immaterial nature of the expenditure streams both individually and collectively. Our consideration of expenditure streams also included capital expenditure and similarly concluded that there is not a significant risk. Capital expenditure transactions are likely to be larger and subject to more scrutiny, reducing the risk of improper recognition. Inherent risk of material misstatement: • Expenditure recognition (Completeness): Low • Creditors (Existence, Valuation): Low	We do not consider this to be a significant risk for the Council and Group and standard audit procedures will be carried out. We will keep this rebuttal under review throughout the audit to ensure this judgement remains appropriate. Procedures will include: • Documenting our understanding of the Council's systems for expenditure to identify significant classes of transactions, account balances and disclosures with a risk of material misstatement in the financial statements; • Verifying that the operating expenses included within the financial statements are complete by substantively testing post year-end invoices received and cash payments made; • Evaluating the Council's accounting policies for recognition of expenditure and compliance with the CIPFA Code; • Performing substantive testing of expenditure and the associated payables using tests of detail by ensuring they can be traced to appropriate supporting evidence; and • Performing substantive testing of year-end creditors by ensuring they can be traced to appropriate supporting evidence.

Significant risks of material misstatement

Significant risk	Audit approach
Valuation of council dwellings (key accounting estimate) (Council and Group) Revaluation of operational land and buildings should be performed with sufficient regularity so that carrying amounts are not materially misstated. The Council's HRA properties are revalued annually to ensure that the carrying value is not materially different from the fair value. Council dwellings are valued using the beacon method, which aggregates the vacant possession value of each unit of housing stock based on the value of a beacon or sample property. A discount factor is applied to reflect the lower rent yield from social housing compared to market rates. Management engaged the services of a qualified valuer, who is a Regulated Member of the Royal Institute of Chartered Surveyors (RICS) to undertake these valuations as of 31 March 2026. The valuations involve a wide range of assumptions and source data and are therefore sensitive to changes in market conditions. ISAs (UK) 500 and 540 require us to undertake audit procedures on the use of external expert valuers and the methods, assumptions and source data underlying the fair value estimates. This represents a key accounting estimate made by management within the financial statements due to the size of the values involved, the subjectivity of the measurement and the sensitive nature of the estimate to changes in key assumptions. We have therefore identified the valuation of council dwellings as a significant risk. We will further pinpoint this risk to specific assets, or asset types, on receipt of the draft financial statements and the year-end updated asset valuations, to those assets where the valuation movement falls outside of our expectations, there are significant changes to any of the key assumptions or the year-end valuation is considered material. Inherent risk of material misstatement: Land and Buildings (valuation): High	Procedures we will perform to mitigate risks of material misstatement in this area will include: - Evaluating management processes, controls and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work; - Evaluating the competence, capabilities and objectivity of the valuation expert; - Considering the basis on which the valuations are carried out and challenging the key assumptions applied; - Evaluating the reasonableness of the valuation movements for assets revalued during the year, with reference to market data; - For unusual or unexpected valuation movements, testing the information used by the valuer to ensure it is complete and consistent with our understanding; - Testing a sample of Beacon properties in respect of council dwellings, to consider whether their valuation assumptions are appropriate and representative of other Beacon properties within the Beacon group. - Ensuring revaluations made during the year have been input correctly to the fixed asset register and the accounting treatment within the financial statements is correct; - Evaluating the assumptions made by management for any assets not revalued during the year and how management are satisfied that these are not materially different to the current value; and - Engaging our own valuations expert, where necessary, to assess any judgemental assumptions used that underpin the final valuations.



Significant risks of material misstatement

Significant risk	Audit approach
Valuation of land and buildings (key accounting estimate) (Council and Group) Revaluation of operational land and buildings should be performed in line with the revised revaluation requirements for 2025/26 onwards set out in the CIPFA Code. The Council ensures that all property, plant and equipment required to be measured at current value are revalued at sufficiently regular intervals to ensure that their carrying amounts do not differ materially from their current values at the year end. As a minimum, assets are subject to a full valuation every five years, with appropriate indexation applied in intervening years to ensure compliance with the revised requirements set out in the 2025/26 CIPFA Code. Where no suitable indexation is available, assets are revalued every three years. Management engaged the services of a qualified valuer, who is a Regulated Member of the Royal Institute of Chartered Surveyors (RICS) to undertake any valuations required as of 31 March 2026. The valuations and index uplifts involve a wide range of assumptions and source data and are therefore sensitive to changes in market conditions. ISAs (UK) 500 and 540 require us to undertake audit procedures on the use of external expert valuers and the methods, assumptions and source data underlying the fair value estimates. This represents a key accounting estimate made by management within the financial statements due to the size of the values involved, the subjectivity of the measurement and the sensitive nature of the estimate to changes in key assumptions. We have therefore identified the valuation of operational land and buildings as a significant risk. We will further pinpoint this risk to specific assets, or asset types, on receipt of the draft financial statements and the year-end updated asset valuations, to those assets where the valuation movement falls outside of our expectations, there are significant changes to any of the key assumptions or the year-end valuation is considered material. Inherent risk of material misstatement: Land and Buildings (valuation): High	Procedures we will perform to mitigate risks of material misstatement in this area will include: - Evaluating management processes, controls and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work; - Evaluating the competence, capabilities and objectivity of the valuation expert; - Considering the basis on which the valuations are carried out and challenging the key assumptions applied; - Evaluating the reasonableness of the valuation movements for assets revalued during the year, with reference to market data; - For unusual or unexpected valuation movements, testing the information used by the valuer to ensure it is complete and consistent with our understanding; - Ensuring revaluations made during the year have been input correctly to the fixed asset register and the accounting treatment within the financial statements is correct; - Evaluating the assumptions made by management for any assets not revalued during the year and how management are satisfied that these are not materially misstated; and - Engaging our own valuations expert, where necessary, to assess any judgemental assumptions used that underpin the final valuations.



Significant risks of material misstatement

Significant risk	Audit approach
Valuation of investment properties (key accounting estimate) (Council and Group) The Council undertakes a full revaluation of its investment properties annually, to ensure that the carrying value is not materially different from the fair value. Management engaged the services of a qualified valuer, who is a Regulated Member of the Royal Institute of Chartered Surveyors (RICS) to undertake these valuations as of 31 March 2026. The valuations involve a wide range of assumptions and source data and are therefore sensitive to changes in market conditions. ISAs (UK) 500 and 540 require us to undertake audit procedures on the use of external expert valuers and the methods, assumptions and source data underlying the fair value estimates. This represents a key accounting estimate made by management within the financial statements due to the size of the values involved, the subjectivity of the measurement and the sensitive nature of the estimate to changes in key assumptions. We have therefore identified the valuation of investment properties as a significant risk. We will further pinpoint this risk to specific assets, or asset types, on receipt of the draft financial statements and the year-end updated asset valuations, to those assets where the valuation movement falls outside of our expectations, there are significant changes to any of the key assumptions or the year-end valuation is considered material. Inherent risk of material misstatement: Investment properties (valuation): High	Procedures we will perform to mitigate risks of material misstatement in this area will include: - Evaluating management processes, controls and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work; - Evaluating the competence, capabilities and objectivity of the valuation expert; - Considering the basis on which the valuations are carried out and challenging the key assumptions applied; - Evaluating the reasonableness of the valuation movements for assets revalued during the year, with reference to market data; - For unusual or unexpected valuation movements, testing the information used by the valuer to ensure it is complete and consistent with our understanding; - Ensuring revaluations made during the year have been input correctly to the fixed asset register and the accounting treatment within the financial statements is correct; and - Engaging our own valuations expert, where necessary, to assess any judgemental assumptions used that underpin the final valuations.

Significant risks of material misstatement

Significant risk	Audit approach
Valuation of the defined benefit pension net liability / asset – IAS19 (key accounting estimate) (Council and Group) The pension fund net liability is considered a significant estimate due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions. An actuarial estimate of the net defined benefit pension liability/asset is calculated on an annual basis under IAS 19 ‘Employee Benefits’, and on a triennial funding basis, by an independent firm of actuaries with specialist knowledge and experience. The triennial estimates are based on the most up to date (March 2025) membership data held by the pension fund and a roll forward approach is used in intervening years, as permitted by the CIPFA Code. The calculations involve a number of key assumptions, such as discount rates and inflation and local factors such as mortality rates and expected pay rises. The estimates are highly sensitive to changes in these assumptions and the calculation of any asset ceiling when determining the value of a pension asset (where relevant). ISAs (UK) 500 and 540 require us to undertake audit procedures on the use of external experts (the actuary) and the methods, assumptions and source data underlying the estimates. This represents a key accounting estimate made by management within the financial statements due to the size of the gross asset and liability values involved, the subjectivity of the measurement and the sensitive nature of the estimate to changes in key assumptions. We have therefore identified the valuation of the net pension liability/asset as a significant risk. Inherent risk of material misstatement: • Pension fund net liability / asset (valuation): High	Procedures we will perform to mitigate risks of material misstatement in this area will include: • Evaluating managements processes for the calculation of the estimate, the instructions issued to management’s expert (the actuary) and the scope of their work; • Evaluating the competence, capabilities and objectivity of the actuary; • Assessing the controls in place to ensure that the data provided to the actuary by the Council and their pension fund was accurate and complete; • Evaluating the methods, assumptions and source data used by the actuary in their valuations, with the support of an auditors’ expert; • Testing the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; • If the pension fund is in surplus, ensuring that any asset recorded in the financial statements, and any additional liabilities for secondary contributions have been accounted for correctly in line with the requirements of IFRIC 14; • Obtaining assurances from the pension fund auditor as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements; and • Ensuring pension valuation movements for the year and related disclosures have been correctly reflected in the financial statements.



Group audit scope and risk assessment



Group audit

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

Risks at the component level

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

Note that a component may require a statutory audit under UK or overseas company law irrespective of whether an audit is required for group reporting purposes. Management should therefore satisfy themselves that all UK and overseas company law requirements are adhered to on a component-by-component basis.

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



Group audit

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

Full scope Design and perform further audit procedures on the entire financial information of the component;
Specific scope Design and perform further audit procedures on one or more classes of transactions, account balances or disclosures;
None Where risk of material misstatement to the Group is not material



IT Audit strategy



IT Audit strategy

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

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

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

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



Building back assurance



Building back assurance

We have further considered the work we need to carry out to build back assurance from disclaimed years of audit. Our work is planned in accordance with the statutory guidance set out in Local Audit Reset and Recovery Implementation Guidance (LARRIG) 01 to 06

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

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

Disclaimed opinions were issued by the predecessor auditor for 2021/22 and 2022/23 and by Azets in 2023/24 and 2024/25. Following the publication of LARRIGs 01 to 06 we have developed an overarching strategy for building back assurance for the Council, which is set out in our Build-back Plan (presented alongside this report), with the aim of recovering assurance by 31 March 2028.



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’).

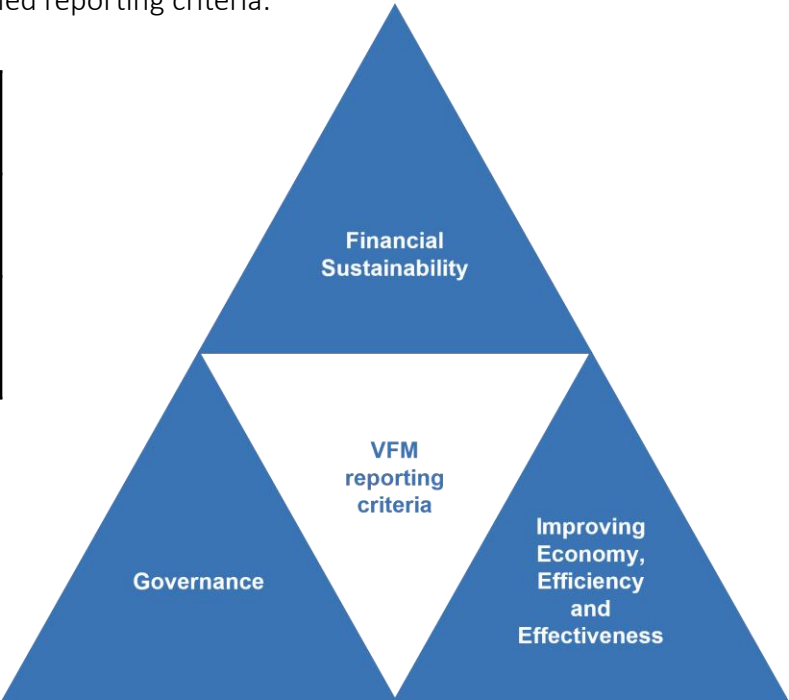
NAO Auditor Guidance Note 03 ‘Auditors’ Work on Value for Money Arrangements’ (“AGN 03”) was updated and issued on 14 November 2024 and requires us to provide an annual commentary on arrangements, which will be published as part of the Auditor’s Annual Report. Such commentary will highlight any significant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

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

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

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

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



Value for money

Risks of significant weakness

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

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



Value for money

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



Audit team and requirements



Audit team and requirements

Your core audit team

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

Our expectations and requirements

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

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

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



Audit independence, objectivity and other services provided



Independence, objectivity and other services provided

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

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

In particular:

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

Non-audit service fees

Service	Fee £	Threats identified and safeguards to mitigate threats to independence
Audit related: Certification of Housing Benefit Assurance Process (HBAP) claim	£28,000 plus additional fees for each workbook. Note the 23/24 HBAP claim remains in progress.	Self-interest : Given this is likely to be a recurring fee, we consider a threat present. However, the fee is not significant to Azets Audit Services or Stevenage Borough Council. The fee is fixed and is not contingent in nature. Self-review : Whilst housing benefit revenue and expenditure streams are within the financial statements, we do not complete the claim form. The focus of our work is solely testing the data in the claim form prepared by the management. Management : As above, the claim form is completed by management and any adjustments or amendments identified to the form during the certification work are discussed and agreed by management prior to submission of the certification report. We therefore consider these risks sufficiently mitigated.



Fees



Fees

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

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

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

This fee is estimated based on our understanding at this point in time and may be subject to change. Our planned fee is on the basis that our expectations set out on pages 5, 33 and 37 are met and the group structure is unchanged.

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

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

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



Audit fees	Proposed fee £
Scale fee: for the audit of the Council (and Group’s) financial statements	226,032
LGPS net asset position (IFRIC 14 Review)	3,000
Value for money: additional work required to meet the NAO’s Code requirements in respect of the arrangements for local government reorganisation	TBC
Building back assurance as per the buildback plan	258,471
Total audit fees	487,503

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

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

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

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

