Stevenage Borough Council

Build-back Plan

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Your key team members

Laura Hinsley
Key Audit Partner
Laura.Hinsley@azets.co.uk

Martha Charima
Manager
Martha.Charima@azets.co.uk

Rebecca Lane
In-Charge Auditor
Rebecaa.Lane@azets.co.uk

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This section summarises, for the benefit of Those Charged with Governance, the build back plan for our audit of Stevenage Borough Council

Purpose of this report

We set out our planned approach to the 2025/26 audit in our Audit Plan, which we have presented alongside this report.

We are responsible for performing the audit in accordance with International Standards on Auditing (UK), the National Audit Office Code of Audit Practice and associated Auditor Guidance Notes, including the Local Audit Reset and Recovery Implementation Guidance (LARRIG).

An 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. However, as a disclaimed auditor's report has been issued on the financial statements of the Council for the financial years from 2021/22 to 2024/25, the LARRIGs recognise that the auditor may need to issue a further disclaimed audit opinion on the financial statements in 2025/26 due to lack of assurance on opening balances caused by prior year disclaimed audit. They also recognise that additional risk-based audit procedures will need to be carried out by the auditor to rebuild missing assurance from the disclaimed audit period.

We are committed to working with audited bodies to design a programme of work which will enable us to rebuild missing assurance over the disclaimed audit period and have heavily invested in the development of a risk-based audit approach for the required work to achieve a clean opinion prior to Local Government reorganisation on 1 April 2028.

Executive summary

Summary of approach

This report sets out our proposed build back approach for the transactions and balances which occurred during your prior year disclaimed audit period from 1 April 2021 to 31 March 2025 based on our risk assessment of the Council.

The build-back plan provides an overview of the approach and the associated audit fees, which are covered by fee variations, which require review and approval by Public Sector Audit Appointments (PSAA). In setting out our approach we have split the plan across four key elements, which cover:

- Disclaimer planning and reporting;
- Planning and managing delivery of the build-back work;
- Balance sheet/non reserves related testing; and
- CIES/reserves related testing.

This documents sets out the estimated fees; scope of work and anticipated timing of delivery associated with each of these elements of the build back plan.

Your support for the build-back process

Your support for the build-back process

As set out in this document, the full build-back process to recover from the last clean audit opinion being issued for the 31 March 2028 financial year involves a significant amount of audit work. In addition, we will also need to complete our required audit procedures for the 2025/26, 2026/27 and 2027/28 financial years (in line with our audit approach determined for in year work on disclaimed audits) alongside the process of rebuilding assurance on previously disclaimed periods. In total this is likely to require levels of audit input higher than a normal annual audit process and may involve audit work being undertaken at times of the year outside of the normal audit delivery timeframes.

We are committed to working with you to deliver this, and to move to the position of being able to issue an unmodified 'clean' opinion on the Council's financial statements for the 2027/28 financial year. We have set out in this report what we consider to be a realistic plan to accomplish this. However, achieving this will only be possible with the full support and co-operation of the Council.

In particular, in order to achieve this outcome, the Council will need to ensure that:

- The Council's finance function is sufficiently resourced to support both the annual audit process for 2025/26 and future financial years, and to support audit build-back testing of previously disclaimed periods;
- Good quality supporting information and evidence is made available in response to audit queries raised and sample testing requests issued; and
- Key officers are available to deal with audit queries and requests in line with agreed timescales.

To support the Council and its finance team we will ensure that we:

- Provide clear details of the scope of the build-back work required and the planned timescales for delivery;
- Set out clearly our expectations for supporting audit evidence which we will require in response to audit testing; and
- Share details of progress with you on a regular basis throughout the build-back process.

Build-back progress made in 2024/25

Build-back progress made in 2024/25

We commenced work on rebuilding assurance during our 2024/25 audit and reported details of the areas of work we planned to undertake, and the extent to which we were able to complete this work, in our Audit Completion Report (ISA 260 report).

The following sections within this report on build-back testing for balance sheet/non reserves, and CIES/reserves, set out the level of assurance obtained to date in each area, split by previously disclaimed period. This is based on the level of progress we were able to achieve on build-back testing in 2024/25 and forms the basis of the assessment of further work necessary in each area to fully rebuild assurance.

The fees which were charged for this build-back work for 2024/25 are also included on the summary of estimated fees.

Building back assurance – estimated fees

Building back assurance – estimated fees

The estimated fees for completion of the build-back process are set out below. The figures for 2024/25 represent those already agreed and charged as part of the 2024/25 audit; the fees for 2025/26 onwards represent current estimates for completed of further build-back work required.

All fees relating to audit work on build-back and other disclaimer related audit work are raised through the fee variation process and as such are subject to approval by PSAA. These estimates do not cover fee variations for any non-build-back related issues which may be identified during the audit process, and which will be separately reported in our Audit Completion Reports (ISA260s).

	Estimated fees				
	2024/25 (actuals)	2025/26 (estimated)	2026/27 (estimated)	2027/28 (estimated)	Total
Disclaimer planning and reporting	22,095	10,245			
Planning and managing delivery of the build-back work	38,985	94,993			
Balance sheet/non reserves related testing	38,622	129,949			
CIES/reserves related testing.	-	23,285			
Total	99,702	258,471			

Disclaimer planning & reporting

Disclaimer planning & reporting

This element of the fee relates to the additional work necessary on a disclaimed audit to determine the nature of the opinion which it is appropriate for us to issue for each financial year.

A key requirement as we move through the build-back plan is to assess at what stage of the process we are able to move from a disclaimed opinion to a modified opinion, and then to an unmodified opinion. This assessment involves considerable input and consultation with the Technical and Compliance teams within Azets to ensure that we are only doing so when appropriate based on the level of assurance obtained.

Our current anticipated timeline, which underpins the rest of this build-back plan, is set out below. Achievement of this indicative timeline is based on completion of all planned work as set out in this plan, and the continued co-operation and support of the Council's finance team.

	2024/25 (actual)	2025/26 (anticipated)	2026/27 (anticipated)	2027/28 (anticipated)
Anticipated audit opinion	**Disclaimed**	**Disclaimed**	**Modified/"except for"**	**Unmodified**

KEY:
Unmodified opinion - Clean audit opinion with no material matters requiring modification
Modified ('except for') - Audit opinion qualified for a specific material matter; otherwise, the financial statements are fairly presented
Disclaimer - Auditor unable to obtain sufficient evidence to form an opinion on the financial statements

Planning and managing delivery of the build-back work

Planning and managing delivery of the build-back work

This element of the fee relates to the audit input required to:

- Determine the overall approach required to rebuild assurance in line with relevant NAO Local Audit Reset and Recovery Implementation Guidance (LARRIGs);
- Carry out a detailed risk assessment to support this determination;
- Scope out the work required in each area across the full build-back plan;
- Develop a detailed plan setting out the resource requirements to deliver build-back work;
- Discuss and agreed these requirements and a timescale for delivery with the Council;
- Provide Key Audit Partner and Audit Manager direction and review of the build-back work as it is completed; and
- Carry out an overall assessment of the assurance provided by build-back work completed and the extent to which this supports the recovery of assurance across disclaimed periods.

We will need to regularly revisit and update our approach and plans to deliver it throughout the course of our build-back process.

Planning and managing delivery of the build-back work (continued)

We completed our initial risk assessment in line with the requirements of LARRIG 06 in 2024/25, which is key to determining the overall approach we need to take to build-back assurance on reserves and so the level of detailed substantive testing required on CIES transactions for previously disclaimed periods. We set out for information a summary of the results of this risk assessment

Component	Activity	Outcome
Planning Risk Assessment (LARRIG 06)	We are required by LARRIG 06 to evaluate the inherent risk of material misstatement in the opening reserve balances following prior year disclaimers. We have completed a detailed assessment, and the scope of our review and conclusions are set out below.	
	Qualitative Risk Assessment We have considered a number of qualitative risk factors, as set out in LARRIG 06, including: • 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 level of reserves in place during the disclaimed period and their complexity; • The volume of movements in reserves over the disclaimed period; • The strength of the control environment in place at the Council over the period of disclaimed opinions; • Changes in key personnel, financial reporting systems or key processing activities during the disclaimed period; • Any previous reporting of significant deficiencies in control, significant weaknesses in arrangements to secure VFM or material or other misstatements during the disclaimed period; and • Issues reported by Internal Audit and in the Annual Governance Statements.	Our risk assessment has concluded that the Council is at the lower end of the risk spectrum for build back assurance, with specific risk factors over the Queensway LLP transactions. This means less extensive procedures over the Council's income and expenditure transactions will be required over the disclaimed period. The procedures we have identified that we will need to complete to build back sufficient audit assurance over opening balances are set out on pages 18 to 20 of this report. Our risk assessment is regularly revisited and is subject to change based on audit findings.
	Quantitative Risk Assessment (LARRIG 06) We have also completed a detailed analysis of all the Council's useable and unusable reserves movements over the disclaimed period, assessing the internal consistency of the reserve movements with other transactions and disclosures in the Council's financial statements and the completeness of the expected reserve transactions.	

Build-back testing – Balance sheet/non reserves

Building back assurance – balance sheet/non reserves related

In order to build back sufficient assurance over elements of the Balance Sheet, we need to undertake substantive testing of movements in balances back to the last clean opinion date. We commenced this work in 2024/25 and set out below a summary of the level of assurance obtained to date.

We plan to complete all remaining build-back work on balance sheet/non reserves related areas in 2025/26.

	Current status of build-back work – by disclaimed period				Planning timing of remaining buildback work		
	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Property, plant and equipment (PPE) and investment property additions	In progress	In progress	In progress	Completed*	✓		
Right of use asset additions and associated liabilities	n/a	n/a	n/a	In progress	✓		
PPE and investment property disposals	Not started	Not started	Not started	Completed*	✓		
PPE and Investment property opening balances	Not started	Not started	Not started	In progress	✓		
PPE reclassification movements	Not started	Not started	Not started	Completed*	✓		
Infrastructure assets	Not started	Not started	Not started	Not started	✓		
Revaluation and impairment movements	Not started	Not started	Not started	Completed*	✓		
Queensway LLP transactions	In progress	In progress	In progress	In progress	✓		
Grants received in advance	Not started	Not started	Not started	Completed*	✓		
Capital expenditure and financing (CRF/MRP)	Not started	Not started	Not started	In progress	✓		
Journals testing	Not started	Not started	In progress	In progress	✓		
Estimated fees					£129,949	£0	£0

* Subject to ongoing Audit Manager and Key Audit Partner review procedures.

Build-back testing – CIES/reserves

Building back assurance – CIES/reserves related

In order to build back sufficient assurance over reserves where the closing position is directly influenced by the opening position and movements over the disclaimed period, we need to undertake some substantive testing of the CIES transactions over the disclaimed period.

As set out on page 16 our risk assessment has concluded that the Council is at the lower end of the risk spectrum for build back assurance. This means less extensive procedures over the Council's income and expenditure transactions will be required over the disclaimed period. The table below summarises our planned timetable for the completion of prior year CIES testing and any testing completed in full or in part in previous years.

	Current status of build-back work – by disclaimed period				**Planning timing of remaining build back work**		
	2021/22	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**2026/27**	**2027/28**
Grant income – Capital grants unapplied	Not started	Not started	Not started	Not started	✓		
Depreciation	Not started	Not started	Not started	Not started	✓		
Revenue funded from capital under statute	Not started	Not started	Not started	Not started	✓		
HRA expenditure classification testing	Not started	Not started	Not started	Not started	✓		
GF/ HRA capital grants classification testing	Not started	Not started	Not started	Not started	✓		
Collection Fund	Not started	Not started	Not started	Not started	✓		
Other testing on reserve movements	Completed*	Completed*	Completed*	Completed*	n/a		
Estimated fees					£23,285		

* Subject to ongoing Audit Manager and Key Audit Partner review procedures.

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