

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EAST HERTFORDSHIRE DISTRICT COUNCIL

Disclaimer of Opinion

We were engaged to audit the financial statements of East Hertfordshire District Council ('the Council') for the year ended 31 March 2022. The financial statements comprise the:

- Council and Group Movement in Reserves Statement,
- Council and Group Comprehensive Income and Expenditure Statement,
- Council and Group Balance Sheet,
- Council and Group Cash Flow Statement,
- the related Council notes 1 to 37 and Group Notes 1 to 4, including material accounting policy information,
- Collection Fund and the related notes 1 to 4.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)).

We do not express an opinion on the accompanying financial statements of the Group and the Council. Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for disclaimer of opinion

The Accounts and Audit (Amendment) Regulations 2024 (Statutory Instrument 2024/907) which came into force on 30 September 2024 requires the accountability statements for this financial year to be approved not later than 13 December 2024. This requirement meant that we were unable to obtain sufficient appropriate audit evidence to provide a basis for our opinion as we had insufficient resources in the time available to perform all necessary procedures to support the local government audit reset.

We were not able to complete the audit of the 2020/21 financial statements and issue our audit opinion until 16 March 2023, due to delays in the provision of information by the Council.

We commenced our audit of the 2021/22 financial statements in March 2023, based on draft accounts provided for audit but not published, but were unable to complete all of our procedures on the financial statements due to delays in the provision of information.

In addition, the Council did not publish their draft 2021/22 Statement of Accounts until the 11 December 2023, which was significantly after the statutory publication deadline of 31 July 2022. We also noted the following in relation to the published unaudited accounts:

- the accounts were not accompanied by an Annual Governance Statement
- the Statement of Responsibilities for the Statement of Account was from the 2020/21 Statement of Accounts and was dated 26 October 2020
- they included the signed audit report from the 2019/20 accounts.

As a result of the above, the Council had to re-advertise the period for the public inspection of the accounts and this period ran until 18 December 2024.

These issues are referred to in the significant weaknesses in arrangements section of our report.

These matters combined with the backstop date, meant that we were unable to obtain sufficient appropriate audit evidence to provide a basis for our opinion in advance of the backstop date of 13 December 2024. Therefore, we are disclaiming our opinion on the financial statements.

Matters on which we report by exception

Notwithstanding our disclaimer of opinion on the financial statements we have nothing to report in respect of whether the Annual Governance Statement is misleading or inconsistent with other information forthcoming from the audit, performed subject to the pervasive limitation described above, or our knowledge of the Group and the Council.

We report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 (as amended);
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 (as amended)
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 (as amended); and/or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014 (as amended).

We have nothing to report in these respects.

We report to you if we are not satisfied that the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023. We are making written recommendations to the Council under Section 24, Schedule 7 (2) of the Local Audit and Accountability Act 2014 (as amended). We may designate any audit recommendation as one that requires the Council to consider it at a public meeting and to decide what action to take in response.

Report on the Council's proper arrangements for securing economy, efficiency and effectiveness in the use of resources

On the basis of our work, having regard to the Code of Audit Practice 2024 and the guidance issued by the Comptroller and Auditor General in November 2024, we have identified the following significant weaknesses in the Council's arrangements for the year ended 31 March 2022.

Significant weaknesses in arrangements

Our judgement on the nature of the weaknesses identified:

The Council did not publish its 2021/22 draft financial statements by 31 July 2022 as required by the Accounts and Audit Regulations 2015. The unaudited financial statements were published on 11 December 2023. The draft accounts, when published, were not appropriately certified by the Section 151 Officer and were not published alongside an Annual Governance Statement.

In addition, the Council was unable to adequately support the external audit process. Capacity issues within the finance team and weaknesses in quality control related to audit evidence led to delays in receipt of information to support the audit and that information, when provided, being of inadequate quality. These issues were also experienced during the 2020/21 audit process which was not completed until March 2023.

We note that the 2023/24 draft financial statements were not published by the statutory deadline of 31 May 2024.

The evidence on which our view is based:

- Publication date of the 2021/22, 2022/23 and 2023/24 draft financial statements
- The Council has not been able to provide timely, sufficient and appropriate audit evidence to support the external audit

The impact on the Council:

Failure to improve the Council's processes to report financial information on a timely basis impacts the Council's ability to meet statutory financial reporting deadlines and to restore timely financial reporting in accordance with the requirements of the Accounts and Audit (Amendment) Regulations 2024.

The action the body needs to take to address the weakness:

As a result of the weaknesses identified, we make Statutory Recommendations under Schedule 7(2) of section 24 of the Local Audit and Accountability Act 2014 (as amended).

1. **Finance Function Workflow Review:** Conduct a comprehensive review of the finance function workflow to identify bottlenecks in the flow of information and the completion of key finance tasks. Use the findings to redefine roles and responsibilities within the finance team, ensuring an equitable distribution of workload and preventing any single individual from being overburdened.
2. **Quality Assurance Function Review:** Implement a thorough review of the quality assurance process for draft accounts and underlying workpapers. Establish clear timelines for the closedown process, ensuring appropriate segregation of duties between those preparing and those reviewing the draft accounts and workpapers. Monitor adherence to this process and report performance to the Audit and Governance Committee.
3. **Finance Team Capacity:** Re-assess roles, responsibilities and resource requirements for financial reporting across the Council, including an assessment of the support required from other functions within the organisation for the financial reporting function to meet its objectives and to restore timely financial reporting in accordance with the requirements of the Accounts and Audit (Amendment) Regulations 2024.

This issue is evidence of significant weaknesses in proper arrangements for governance, specifically that the Council does not have effective processes and systems in place to support its statutory financial reporting requirements.

Responsibility of the Chief Financial Officer

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 95, the Chief Financial Officer is responsible for the preparation of the 2021/22 Statement of Accounts, which includes the Group and Council financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, 2021/22 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)), and for being satisfied that they give a true and fair view and for such internal control as the Chief Financial

Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Financial Officer is responsible for assessing the Group and the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Group and the Council either intends to cease operations, or has no realistic alternative but to do so.

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to conduct an audit of the Group and the Council's financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor's report.

However, because of the matter described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Group and Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Code of Audit Practice 2024 and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice 2024, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General in November 2024, as to whether East Hertfordshire District Council had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether East Hertfordshire District Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether East Hertfordshire District Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 (as amended) to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Certificate

We certify that we have completed the audit of the accounts of East Hertfordshire District Council in accordance with the requirements of the Local Audit and Accountability Act 2014 (as amended) and the Code of Audit Practice issued by the National Audit Office.

Use of our report

This report is made solely to the members of East Hertfordshire District Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 (as amended) and for no other purpose, as set out in paragraph 85 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council and the Council members as a body, for our audit work, for this report, or for the opinions we have formed.

Debbie Hanson
Ernst & Young LLP

Debbie Hanson (Key Audit Partner)
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23 April 2025