

Title of report: External auditor's draft annual plan 2025/26

Meeting: Audit and Governance Committee

Meeting date: Tuesday 24 March 2026

Report by: Head of Strategic Finance (Deputy S151)

Classification

Open

Decision type

This is not an executive decision

Wards affected

All Wards

Purpose

To review and agree the external auditor's draft annual plan for 2025/26.

Recommendation(s)

That:

- a) **The proposed external audit annual plan for 2025/26 in Appendix A is approved subject to any recommendations that the committee may wish to make; and**
- b) **The committee determine any recommendations it wishes to make to maximise the value of the external audit processes.**

Alternative options

1. There are no alternative options to approving an external audit plan. The audit plan must meet statutory requirements, however it is open to the committee to identify any additional areas of risk they wish the external auditors to consider and to recommend any additional actions to maximise the value of the external audit process.

Key considerations

2. The constitution provides that the Audit and Governance Committee will:

- a) Review and agree the external auditor's annual plan and receive regular update reports on progress; and
 - b) Comment on the scope and depth of external audit work and to ensure it gives value for money; and
 - c) Ensure that there are effective relationships between external and internal audit and that the value of the combined internal and external audit is maximised.
3. Attached in Appendix A is the external audit annual plan for the audit of the 2025/26 Statement of Accounts which is due to commence in June 2026.
4. The appendix shares the audit approach, the focus of external audit work and the preparation work requirements. The audit risks have been identified as:
- a) Management override of controls – Appendix A page 6
 - b) Valuation of land and buildings – Appendix A page 7
 - c) Valuation of investment properties – Appendix A page 8
 - d) Valuation of pension fund net asset/liability – Appendix A page 8
5. Planning materiality has been determined at £13.150 million for the council, being 2.5% of 2024/25 gross operating costs from the Statement of Accounts. Errors and omissions above the materiality level will be reported in the Audit Findings Report. Clearly trivial has been set at £0.650 million, which is 5% of materiality, below which uncorrected omissions of misstatements are not reported by external audit.
6. The revised approach to value for money external audit work has been in place since 2021/22. The National Audit Office (NAO) requires auditors to structure their commentary on value for money arrangements under the following three specified reporting criteria:
- a) Financial sustainability – risks that the council cannot effectively plan and manage its resources to meet financial pressures; and
 - b) Governance – a risk that the council has not made informed decisions and is not effectively managing its risks; and
 - c) Improving economy, efficiency and effectiveness – there is a risk that the council is not using its cost and performance data to improve the way it manages and delivers services.
7. The work that the external auditor will complete on the value for money arrangements is detailed on pages 14-18 of Appendix A.
8. The committee is asked to consider whether there are any comments it would like to make with reference to the external audit plan. Progress against the plan will be reported at future committee meetings.

Community impact

9. One of the principles in the council's Code of Corporate Governance is to implement good practices in transparency, reporting and audit to deliver effective accountability. To support effective accountability the council is committed to reporting on actions completed and outcomes achieved, and ensuring stakeholders are able to understand and respond as the

council plans and carries out its activities in a transparent manner. External audit contributes to effective accountability.

Environmental impact

10. Herefordshire Council provides and purchases a wide range of services for the people of Herefordshire. Together with partner organisations in the private, public and voluntary sectors we share a strong commitment to improving our environmental sustainability, achieving carbon neutrality and to protect and enhance Herefordshire's outstanding natural environment.
11. Whilst this is a decision on back office functions and will have minimal environmental impacts, consideration has been made to minimise waste and resource use in line with the Council's Environmental Policy.

Equality duty

12. The Public Sector Equality Duty requires the Council to consider how it can positively contribute to the advancement of equality and good relations and demonstrate that it is paying 'due regard' in our decision making in the design of policies and in the delivery of services.
13. The mandatory equality impact screening checklist has been completed for this activity, and it has been found to have no impact for equality.

Resource implications

14. The external audit plan in Appendix A highlights the proposed cost of the 2025/26 audit of £398,277 being the scale fee (prior year actual fee £391,322).

Legal implications

15. The Accounts and Audit Regulations 2015 (as amended) require the council to produce and publish an annual Statement of Accounts in accordance with these regulations and "proper practice".
16. Section 21 of the Local Government Act 2003 defines "proper practice" for this purpose to be the Chartered Institute of Public Finance and Accountability (CIPFA) Code of Practice on Local Authority Accounting (the Code) for the relevant year. The Code specified the principles, practices, format and content required in the preparation of the Statement of Accounts.

Risk management

17. The committee are invited to consider whether there are any additional risk areas that should inform the external audit plan.

Consultees

18. None.

Appendices

Appendix A – External audit plan 2025/26.

Background papers

None.