

The Audit Plan for Herefordshire Council

Year ending 31 March 2026

16 March 2026



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The Backstop

The Future of the Backstop

On 30 September 2024, the Accounts and Audit (Amendment) Regulations 2024 came into force. This legislation introduced a series of backstop dates for local authority audits. These Regulations require audited financial statements to be published by a specific date. The upcoming backstop dates are as follows:

- for years ended 31 March 2026 by 31 January 2027
- for years ended 31 March 2027 by 30 November 2027; and
- for years ended 31 March 2028 by 30 November 2028.

The Regulations are supported by the National Audit Office's (NAO) Code of Audit Practice 2024. The backstop dates were introduced to clear the backlog of historic financial statements and support the reset of local audit. 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.

Local Audit Recovery

In the audit report for the year ended 31 March 2025, we issued an unqualified audit opinion on the financial statements. Herefordshire Council was signed well in advance of the backstop date on 29 September 2025.

We do not envisage that there will be any issues in terms of meeting the backstop dates in future years. We will be aiming to achieve audit sign off for 2025-26 by the end of September 2026.

Introduction and headlines



Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Herefordshire Council ('the Council') and Group for those charged with governance.

Respective responsibilities

The National Audit Office ('the NAO') has issued the Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the agreed in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of Herefordshire Council. We draw your attention to these documents.

Scope of our Audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Council's and Group's financial statements that have been prepared by management with the oversight of those charged

with governance (the Audit and Governance committee); and we consider whether there are sufficient arrangements in place at the Council and Group for securing economy, efficiency and effectiveness in your use of resources. Value for money relates to ensuring that 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.

The audit of the financial statements does not relieve management or the Audit and Governance Committee of your 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 have considered how the Council is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Council and Group and is risk based.

Introduction and headlines (continued)

Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Management override of control
- Valuation of land and buildings
- Valuation of investment properties
- Valuation of the pension fund net asset/ liability

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

Materiality

We have determined planning materiality to be £13.150m (PY £10.500m) for the Council, which equates to 2.5% of your prior year gross operating costs for the year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. As part of our risk assessment, we have considered the impact of unadjusted prior period errors. Due to the value of unadjusted errors reported we have deemed it prudent to reduce performance materiality from 75% to 70% of headline materiality.

Clearly trivial has been set at £0.650m (PY £0.525m).

Group Audit

The Council is required to prepare group financial statements that consolidate the financial information of the Council and Hoople Limited, a subsidiary of the Council.

Group planning materiality has been set at £13.330m.

Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money has identified the following risks of significant weaknesses in relation to financial sustainability:

- Risk of significant weakness in relation to the dedicated schools grant deficit (DSG)
- Risk of significant weakness in relation to the medium-term financial plan budget gaps

Please refer to pages 14-17 for full details.

Audit logistics

Our interim visit will take place in March 2026, and our final visit will take place in June to September 2026. Our key deliverables are this Audit Plan, our Audit Findings Report, our Auditor's Report and Auditor's Annual Report.

Our proposed fee for the audit is £398,277 (PY: £416,166) for the Council, subject to the Council delivering a good set of financial statements and working papers, no significant changes in scope to the Audit, management being responsive to audit requests and providing sufficient appropriate audit evidence when requested.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2024) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Major local audit (MLA)

In 2024-25 Herefordshire Council was classed as a major local audit which necessitated additional procedures such as the engagement of an auditor expert for land and building valuations, lower materiality and additional quality reviews of the accounts. Due to the threshold for MLA increasing, the Council is no longer an MLA, and these additional procedures are no longer required.

Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Significant risk

Management override of controls

Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities.

Risk relates to

Council/Group

Audit team's assessment

We have therefore identified management override of controls, in particular journals, management estimates and transactions outside the course of business as a significant risk of material misstatement.

Planned audit procedures

We will:

- review accounting estimates, judgements and decisions made by management
- test journal entries
- review unusual significant transactions.



“In determining significant risks, the auditor may first identify those assessed risks of material misstatement that have been assessed higher on the spectrum of inherent risk to form the basis for considering which risks may be close to the upper end. Being close to the upper end of the spectrum of inherent risk will differ from entity to entity and will not necessarily be the same for an entity period on period. It may depend on the nature and circumstances of the entity for which the risk is being assessed. The determination of which of the assessed risks of material misstatement are close to the upper end of the spectrum of inherent risk, and are therefore significant risks, is a matter of professional judgment, unless the risk is of a type specified to be treated as a significant risk in accordance with the requirements of another ISA (UK).” (ISA (UK) 315).

In making the review of unusual significant transactions “the auditor shall treat identified significant related party transactions outside the entity’s normal course of business as giving rise to significant risks.” (ISA (UK) 550).

Significant risks identified (continued)

Significant risk	Audit team's assessment	Planned audit procedures
<p>Valuation of Land and Buildings</p> <p>Risk relates to</p> <p>Council</p>	<p>The Council revalues its land and buildings on a rolling five yearly basis in line with the requirements of the CIPFA code. The Council employs Wilks Head and Eve as experts to perform the valuations for most assets. Valuations of the Councils jointly owned Energy for Waste Plant are carried out by a separate valuation expert called Hilco.</p> <p>The valuation of land and buildings represents a significant estimate in the financial statements. It is considered a significant estimate due to its size, complexity and sensitivity to changes in key assumptions. We have therefore identified it as a significant risk for the audit.</p>	<p>We will:</p> <ul style="list-style-type: none"> • document our understanding management's process and controls for the calculation of the estimate • evaluate the competence, capabilities and objectivity of management's expert • evaluate the consistency of the disclosure with the valuation report • evaluate the basis on which the valuations have been carried out • evaluate the information and assumptions used by the valuer • evaluate the accounting entries for the valuation • evaluate the reasonableness of the assumptions used to form the estimate • the 2025/26 CIPFA Code introduces a new revaluation expedient for Property, Plant and Equipment, requiring assets to be revalued at least every five years, or on a five-year rolling programme, with interim years supported by indexation. We will review management's assumptions in selecting and applying indices to ensure that both the chosen indices and the asset groupings are appropriate.



Management should expect engagement teams to challenge them in areas that are complex, significant or highly judgmental which may be the case for accounting estimates, going concern, related parties and similar areas. Management should also expect to provide engagement teams with sufficient evidence to support their judgments and the approach they have adopted for key accounting policies referenced to accounting standards or changes thereto.

Where estimates are used in the preparation of the financial statements management should expect teams to challenge management's assumptions and request evidence to support those assumptions.

Significant risks identified (continued)

Significant risk	Audit team's assessment	Planned audit procedures
<p>Valuation of Investment Properties</p> <p>Risk relates to</p> <p>Council</p>	<p>The Council revalues its investment properties every year in line with the requirements of the CIPFA code. The Council employs Wilks Head and Eve as experts to perform the valuations for all investment property assets.</p> <p>The valuation of investment properties represents a significant estimate in the financial statements. It is considered a significant estimate due to its size, complexity and sensitivity to changes in key assumptions. We have therefore identified it as a significant risk for the audit.</p>	<p>We will:</p> <ul style="list-style-type: none"> • document our understanding management's process and controls for the calculation of the estimate • evaluate the competence, capabilities and objectivity of management's expert • evaluate the consistency of the disclosure with the valuation report • evaluate the basis on which the valuations have been carried out • evaluate the information and assumptions used by the valuer • evaluate the accounting entries for the valuation • evaluate the reasonableness of the assumptions used to form the estimate
<p>Valuation of the pension fund net asset / liability</p> <p>Risk relates to</p> <p>Council</p>	<p>The Council participates in a Local Government pension scheme administered by Worcestershire County Council. The Council is required to recognise its share of the scheme assets and liabilities in its Statement of Financial Position. An actuarial valuation is performed every year by managements expert Hymans Robertson.</p> <p>The valuation of the pension fund net asset/liability represents a significant estimate in the financial statements. It is considered a significant estimate due to its size, complexity and sensitivity to changes in key assumptions. We have therefore identified it as a significant risk for the audit.</p>	<p>We will:</p> <ul style="list-style-type: none"> • document our understanding management's process and controls • evaluate the competence, capabilities and objectivity of management's expert • evaluate the consistency of the disclosure with the actuarial report • evaluate the reasonableness of the assumptions used to form the estimate • obtain assurances from the pension fund auditor on the underlying data shared by the fund to the actuary which has been used in the calculation of this estimate • where IFRIC 14 is applicable we will review the IFRIC 14 assessment carried out by the actuary and evaluate the reasonableness of the assumptions used as part of the assessment.

Significant risks identified (continued)

Significant risk	Audit team's assessment	Planned audit procedures
<p>The revenue cycle includes fraudulent transactions (Rebutted)</p> <p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue</p>	<p>We have identified and completed a risk assessment of all revenue streams for the Council. We have rebutted the presumed risk that revenue may be misstated due to the improper recognition of revenue for all revenue streams. This is due to the low fraud risk in the nature of the underlying transactions, or immaterial nature of the revenue streams both individually and collectively.</p>	<p>We do not consider this to be a significant risk for the Council and standard audit procedures will be carried out. We will keep this rebuttal under review throughout the audit to ensure this judgement remains appropriate.</p>
<p>The expenditure cycle includes fraudulent transactions (Rebutted)</p> <p>Practice Note 10 (PN10) states that as most public bodies are net spending bodies, then the risk of material misstatements due to fraud related to expenditure may be greater than the risk of material misstatements due to fraud related to revenue recognition. As a result under PN10, there is a requirement to consider the risk that expenditure may be misstated due to the improper recognition of expenditure.</p>	<p>We have identified and completed a risk assessment of all expenditure streams for the Council. We have considered the risk that expenditure may be misstated due to the improper recognition of revenue 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 transactions, or immaterial nature of the expenditure streams both individually and collectively.</p> <p>We have also considered the possibility of inappropriate capitalisation of revenue streams. Given the strong control environment and lack of any issues of this nature identified in previous years, we do not consider that a significant risk is warranted. We will remain alert to any fraud indicators throughout our testing.</p>	<p>We do not consider this to be a significant risk for the Council and standard audit procedures will be carried out. We will keep this rebuttal under review throughout the audit to ensure this judgement remains appropriate.</p>

Other matters

Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Report and Annual Governance Statement and any other information published alongside your financial statements to check that they are consistent with the financial statements on which we give an opinion and our knowledge of the Council.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with requirements set by CIPFA.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under legislation and the Code, as and when required, including:
 - giving electors the opportunity to raise questions about your financial statements, consider and decide upon any objections received in relation to the financial statements
 - issuing a report in the public interest or written recommendations to the Council under section 24 of the Local Audit and Accountability Act 2014 (the Act)

- application to the court for a declaration that an item of account is contrary to law under section 28 or a judicial review under section 31 of the Act
- issuing an advisory notice under section 29 of the Act.
- We certify completion of our audit.

Other material balances and transactions

Under International Standards on Auditing, 'irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure'. All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Description

Determination

We have determined planning materiality (financial statement materiality for the planning stage of the audit) based on professional judgement in the context of our knowledge of the Council and Group, including consideration of factors such as stakeholder expectations, sector developments, financial stability and reporting requirements for the financial statements

Planned audit procedures

We determine planning materiality in order to:

- establish what level of misstatement could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements
- assist in establishing the scope of our audit engagement and audit tests
- determine sample sizes and
- assist in evaluating the effect of known and likely misstatements in the financial statements.

Other factors

An item does not necessarily have to be large to be considered to have a material effect on the financial statements

An item may be considered to be material by nature when it relates to instances where greater precision is required.

Reassessment of materiality

Our assessment of materiality is kept under review throughout the audit process

We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.

Our approach to materiality (continued)

Description	Amount (£)	Qualitative factors considered
Materiality for the group financial statements	13.330m	In the planning phase, we established materiality at approximately 2.5% of the gross operating expenditure for the 2024/25 financial year, considering factors such as ownership concentration, debt arrangements, the business environment, and the control environment.
Materiality for the Council financial statements	13.150m	
Materiality for specific transactions, balances or disclosures – Senior Officers Remuneration	0.010m	We will apply a lower materiality threshold of £10,000 on review of the senior officer’s remuneration disclosures to ensure that our audit strategy contemplates the public interest vested in the sensitive and influential information stated as part of this report. It is therefore appropriate for this lower level to be applied to ensure greater precision in this area of the accounts.



Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements; Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both; and Judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered. (ISA (UK) 320)

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 audits and assess the relevant IT general controls (ITGCs) in place to mitigate them. Our audits 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 IT audit assessment
Unit 4 (Business World)	General ledger and payroll	<ul style="list-style-type: none">ITGC assessment (design and implementation effectiveness only)

Value for Money Arrangements

Approach to Value for Money work for the period ended 31 March 2026

The National Audit Office updated its Code of Audit Practice in November 2024. The Code expects auditors to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are expected to report a commentary each year under the specific reporting criteria and where significant weaknesses in arrangements are identified. The new Code requires auditors to share a draft Auditor's Annual Report (AAR) with those charged with governance by a nationally set deadline each year, and for the audited body to publish the AAR thereafter. This new deadline requirement was introduced from November 2025. The three specified reporting criteria are set out below:

Financial sustainability

How the Council plans and manages its resources to ensure it can continue to deliver its services.



Governance

How the Council ensures that it makes informed decisions and properly manages its risks.



Improving economy, efficiency and effectiveness

How the Council uses information about its costs and performance to improve the way it manages and delivers its services.



We will continue our review of your arrangements until we sign the opinion on your financial statements before we issue our AAR. Should any further risks of significant weakness be identified, we will report this to those charged with governance as soon as practically possible. Any significant weaknesses identified will be reflected in our AAR and included within our audit opinion.

Risks of significant weakness in VFM arrangements

Risk assessment of the Council's VFM arrangements

The Code of Audit Practice 2024 (the Code) sets out that the auditor's work is likely to fall into three broad areas: planning; additional risk-based procedures and evaluation; and reporting. We undertake initial planning work to inform this Audit Plan and the assumptions used to derive our fee. Consideration of prior year significant weaknesses and known areas of risk is a key part of the risk assessment for 2025/26. We will continue to evaluate risks of significant weakness and if further risks are identified, we will report these to those charged with governance. We set out our reported assessment below:

Criteria	2024/25 Assessment of arrangements	2025/26 Risk assessment	2025/26 risk-based procedures planned
<p>Financial sustainability</p>	<p>R</p> <p>One significant weakness in arrangements for managing the Dedicated Schools Grant within budget was identified and a key recommendation raised. One improvement recommendation raised in respect of non-delivery of Council-wide savings schemes and ensuring lessons are learned.</p>	<p>Risk of significant weakness identified in relation to DSG:</p> <p>We raised a prior year key recommendation around Dedicated Schools Grant (DSG) oversight and continuing to implement the DSG management plan with the Department for Education and the Schools Forum. Since then, the government has announced support for historic deficits to 31 March 2026. All local authorities with a SEND deficit will be eligible in 2026-27 to receive a High Needs Stability Grant covering 90% of their High Needs-related DSG deficit accrued up to the end of 2025-26. Government have also announced that from 2028-29, SEND spending will be covered by the overall government delegated expenditure limit (DEL) budget, meaning local authorities are not expected to fund future SEND costs from general funds, once the Statutory Override ends at the end of 2027-28. As of the Q2 Revenue budget reporting, the council is forecasting an in-year deficit of £17.5M based on September 2025 activity data, which will lead to a cumulative DSG deficit of £37.5 million by 31 March 2026.</p>	<p>We will assess arrangements around the oversight of DSG expenditure, including how the council is planning to respond to the requirements of the new grant and manage the remaining deficit by 31 March 2028, as part of our work in following up prior year recommendations using additional risk-based work.</p>

- G** No significant weaknesses or improvement recommendations.
- A** No significant weaknesses, improvement recommendation(s) made.
- R** Significant weaknesses in arrangements identified and key recommendation(s) made.

Risks of significant weakness in VFM arrangements

(continued)

Criteria	2024/25 Assessment of arrangements	2025/26 Risk assessment	2025/26 risk-based procedures planned
<p>Financial sustainability</p>	<p>R</p> <p>One significant weakness in arrangements for managing the Dedicated Schools Grant within budget was identified and a key recommendation raised. One improvement recommendation raised in respect of non-delivery of Council-wide savings schemes and ensuring lessons are learned.</p>	<p>Risk of significant weakness identified in relation to Medium-Term Financial Plan budget gaps.</p> <p>The council is forecasting a balanced budget for 26/27. However, for 27/28, 28/29, and for 29/30 the council is forecasting the following budget gaps. For 27/28 £20.8m, 28/29 £31m and for 29/30 it is £31.8m. The total budget gap over the term of the MTFP is £83.4m. This is a significant change in forecast funding gaps from the prior year MTFP, presented to February 2025 Cabinet which modelled the budget through to 2028/29, identifying a £5m funding gap in that year, but with a surplus up to that point. Management advised that this change is due to an unfavourable outcome of the Fair Funding Review. Given the change in anticipated funding over the MTFS period, the Council will need to develop savings plans to bridge the forecast funding gaps. The 26/27 budget includes a savings requirement of £20.0m. This savings target is a significant increase from the 25/26 target of £6.9m. We raised an improvement recommendation in the prior year around delivery of savings which we will follow up to inform our assessment of the Council's arrangements to identify and deliver savings to meet the forecast budget gaps.</p>	<p>We will assess the key drivers of the increase in MTFP forecast budget gaps, including the outcome of the Fair Funding Review, as part of our standard procedures. We will also assess 2025/26 savings delivery as part of our prior year improvement recommendation follow-up and will assess arrangements for identifying and delivering savings to fund the MTFP gaps forecasted.</p>
G	No significant weaknesses or improvement recommendations.		
A	No significant weaknesses, improvement recommendation(s) made.		
R	Significant weaknesses in arrangements identified and key recommendation(s) made.		

Risks of significant weakness in VFM arrangements

(continued)

Criteria	2024/25 Assessment of arrangements	2025/26 Risk assessment	2025/26 risk-based procedures planned
Governance	G No risks of significant weakness reported and no improvement recommendations made	No risks of significant weakness identified	As no risk of significant weakness has been identified, no additional risk-based procedures are specified at this stage. We will undertake sufficient work to document our understanding of your arrangements as required by the Code.
Improving economy, efficiency and effectiveness	A One significant weakness in arrangements for oversight of an individual capital project was identified and a key recommendation raised. One improvement recommendation.	No risks of significant weakness identified	As no risk of significant weakness has been identified, no additional risk-based procedures are specified at this stage. We will undertake sufficient work to document our understanding of your arrangements as required by the Code and follow up improvement recommendations made in 2024/25.

- G** No significant weaknesses or improvement recommendations.
- A** No significant weaknesses, improvement recommendation(s) made.
- R** Significant weaknesses in arrangements identified and key recommendation(s) made.

Risks of significant VFM weaknesses

As part of our initial planning work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources where we needed to perform additional procedures. The risks we have identified are detailed on the table overleaf along with the further work we will perform. We will continue to review the Council's arrangements and report any further risks of significant weaknesses we identify to those charged with governance. We may need to make recommendations following the completion of our work. The potential different types of recommendations we could make are set out in the table below.

Potential types of recommendations



Statutory recommendation

Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the Council to discuss and respond publicly to the report.



Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as 'key recommendations'.



Improvement recommendation

Auditors may also include areas for improvement or to keep in view even if they do not identify any underlying significant weaknesses in arrangements. These recommendations set out actions for consideration which are not a result of identifying significant weaknesses in arrangements, but which if not addressed could increase the risk of a significant weakness in future periods.

Logistics

The audit timeline

Key Dates

Audit phases:

Planning visit
w/c 23 February
2026

Audit and
Governance
Committee:
24 March 2026

Year end:
31 March 2026

Final visit
w/c 9 June 2026

Completion

Audit and
Governance
Committee and
Sign off:
29 September
2026

Key elements

- Planning meeting with management to set audit scope
- Agree timetable and deliverables with management and Audit and Governance Committee
- Issue the Audit Plan to management and Audit and Governance Committee
- Interim testing on applicable audit areas

Key elements

- Audit teams onsite to complete fieldwork and detailed testing
- Audit of the financial statements
- Weekly update meetings with management
- Technical review of financial statements

Key elements

- Draft Audit Findings issued to management
- Audit Findings meeting with management
- Audit Findings presentation to Audit and Governance Committee
- Auditor's Annual Report presentation to Audit and Governance Committee
- Finalise and sign financial statements and audit report

Our team and communications

Grant Thornton core team

Grace Hawkins

Engagement Lead/Key Audit Partner

- Key contact for senior management and Audit and Governance Committee
- Overall quality assurance

Oscar Edwards

Audit Manager

- Audit planning
- Resource management
- Performance management reporting

Priya Sharma

In-charge

- On-site audit team management
- Day-to-day point of contact
- Audit fieldwork

Pool of specialists and other technical specialists e.g. IT audit, PFI Experts

	Service delivery	Audit reporting	Audit progress	Technical support
Formal communications	<ul style="list-style-type: none"> • Annual client service review 	<ul style="list-style-type: none"> • The Audit Plan • The Audit Findings • Auditor's Annual Report 	<ul style="list-style-type: none"> • Audit planning meetings • Audit clearance meetings • Communication of issues log 	<ul style="list-style-type: none"> • Technical updates
Informal communications	<ul style="list-style-type: none"> • Open channel for discussion 		<ul style="list-style-type: none"> • Communication of audit issues as they arise 	<ul style="list-style-type: none"> • Notification of up-coming issues

Our fee estimate

Our fee estimate

We have set out below our specific assumptions made in arriving at our estimated audit fees, we have assumed that the Council will:

- prepare good quality sets of accounts, supported by comprehensive and well presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant estimates made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements
- maintain adequate business processes and IT controls, supported by an appropriate IT infrastructure and control environment.

Previous year

In 2024/25 the scale fee set by PSAA was £391,322. The actual fee charged for the audit was £416,166.

	Audit Fee for 2024/25 (£)	Proposed fee for 2025/26 (£)
Authority Audit (Scale fee)	391,322	398,277
Additional fee in relation to investigation work*	23,344	N/A
Introduction of IFRS16	1,500	N/A
Total (Exc. VAT)	416,166	398,277

*The Council and the audit team undertook extensive further investigation work, including the involvement of forensics specialists, as a result of findings in respect of the governance of a capital programme. This was an additional fee in the prior year not expected to be repeated.

Our fee estimate (continued)

Relevant professional standards

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 \(revised 2024\)](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

PSAA

Local Government Audit fees are set by PSAA as part of their national procurement exercise. In 2023 PSAA awarded a contract of audits for the Council to begin with effect from 2023/24. The scale fee set out in the PSAA contract for the 2025/26 audit is £398,277.

This contract sets out four contractual stage payments for this fee, with payment based on delivery of specified audit milestones:

- Production of the final auditor's annual report for the previous Audit Year or opinion issued (but not before 1 December 2025)
- Production of the draft audit planning report to Audited Body
- 50% of planned hours of an audit have been completed
- 75% of planned hours of an audit have been completed

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

Updated Auditing Standards

The FRC has issued updated Auditing Standards in respect of Quality Management (ISQM 1 and ISQM 2). It has also issued an updated Standard on quality management for an audit of financial statements (ISA 220). We confirm we will comply with these standards.

Independence considerations

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant matters that may bear upon the integrity, objectivity and independence of the firm or covered persons (including its partners, senior managers, managers [and network firms]). In this context, we confirm there are no matters that we are required to report.

As part of our assessment of our independence at planning, we note the following matters:

Matter	Conclusions
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Council/Group that may reasonably be thought to bear on our integrity, independence and objectivity.
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Council/Group.
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Council/Group as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Council/Group .
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided.
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Council/Group's board, senior management or staff (that would exceed the threshold set in the Ethical Standard).

We confirm that there are no significant facts or matters that impact on our independence at planning as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person have complied with the Financial Reporting Council's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements.

Fees and non-audit services

The following tables below sets out the non-audit services that we have been engaged to provide or charged from the beginning of the financial year to the date of this report, as well as the threats to our independence and safeguards have been applied to mitigate these threats.

The below non-audit services are consistent with the group’s policy on the allotment of non-audit work to your auditor.

None of the below services were provided on a contingent fee basis.

For the purposes of our audit, we have made enquiries of all Grant Thornton teams within the Grant Thornton International Limited network member firms providing services to Herefordshire Council. The table summarises all non-audit services which were identified. We have adequate safeguards in place to mitigate the perceived self-interest threat.

Assurance Service Fees

Service	Fees £	Threats Identified	Safeguards applied
Certification of housing benefit subsidy claim 2021-22	28,698	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £133,146 in comparison to the total fee for the audit of £398,277 and in particular relative to Grant Thornton UK LLP’s turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Certification of housing benefit subsidy claim 2022-23	28,698	Self-review (because Grant Thornton provides audit services)	
		Management (as Grant Thornton reports to the grant paying body)	
Certification of housing benefit subsidy claim 2023-24	72,750		

These fees relate to prior periods but have continued to be delivered into 2025-26 and therefore, are included above. Note that the certifications for 2021-22 and 2022-23 are still in progress as of March 2026, the fee for 2023-24 has not yet been agreed but shown above is the best estimate. We intend to continue providing the service for 2024-25 and beyond but no fees have been agreed or work completed.

Fees and non-audit services (continued)

Assurance Service Fees

Service	Fees £	Threats Identified	Safeguards applied
Certification of teachers' pension claim 2021-22	7,500	Self-Interest (because this is a recurring fee) Self-review (because Grant Thornton provides audit services)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £30,000 in comparison to the total fee for the audit of £398,277 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Certification of teachers' pension claim 2022-23	10,000	Management (as Grant Thornton reports to the grant paying body)	
Certification of teachers' pension claim 2023-24	12,500		
Total	159,966		

These fees relate to prior periods but have continued to be delivered into 2025-26 and therefore, are included above. Note that the certifications for 2021-22 and 2022-23 are still in progress as of March 2026, the fee for 2023-24 has not yet been agreed but shown above is the best estimate. We intend to continue providing the service for 2024-25 and beyond but not fees have been agreed or work completed.

This covers all services provided by us and our network to the group, its directors and senior management and its affiliates, and other services provided to other known connected parties that may reasonably be thought to bear on our integrity, objectivity or independence.

Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	●	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks and Key Audit Matters	●	
Planned use of internal audit	●	
Confirmation of independence and objectivity	●	●
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	●	●
Significant matters in relation to going concern	●	●
Matters in relation to the group audit, including: Scope of work on components, involvement of group auditors in component audits, concerns over quality of component auditors' work, limitations of scope on the group audit, fraud or suspected fraud	●	●

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Plan, outlines our audit strategy and plan to deliver the audit, while the Audit Findings will be issued prior to approval of the financial statements and will present key issues, findings and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via an audit progress memorandum.

Communication of audit matters with those charged with governance (Continued)

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

Our communication plan	Audit Plan	Audit Findings
Views about the qualitative aspects of the Council/Group's accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures		●
Significant findings from the audit		●
Significant matters and issue arising during the audit and written representations that have been sought		●
Significant difficulties encountered during the audit		●
Significant deficiencies in internal control identified during the audit		●
Significant matters arising in connection with related parties		●
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		●
Non-compliance with laws and regulations		●
Unadjusted misstatements and material disclosure omissions		●

Financial reporting changes

Changes to the CIPFA Code of practice on local authority accounting for 2025/26

The main change is a revaluation expedient for property, plant and equipment. From 1 April 2025, revaluations are required once every five years or on a five year rolling basis with indexation in intervening years. This is a substantial change to the accounting for non current asset, that may require engagement with valuers, changes to underlying systems, asset records and accounting treatment.

New or revised accounting standards that are expected to be adopted by the CIPFA Code in future years.

Amendment to IFRS 9 and IFRS 7 - Contracts Referencing Nature-dependent Electricity

The International Accounting Standards Board (IASB) issued amendments to IFRS 9 and IFRS 7 to improve the reporting of nature-dependent electricity contracts, such as power purchase agreements (PPAs). These contracts, which secure electricity from sources like wind and solar power, can vary due to uncontrollable factors like weather. The amendments clarify the 'own-use' requirements, permit hedge accounting for these contracts, and introduce new disclosure requirements to help users of the accounts understand their impact on an entity's financial performance and cash flows. The amendments are expected to be adopted by the CIPFA Code for [2026/27](#).

Amendments to IFRS 9 and IFRS 7 – Classification and measurement of financial instruments

These amendments clarify the requirements for the timing of recognition and derecognition of some financial assets and liabilities (including settling financial liabilities using an electronic payment system), adds guidance on the solely payment of principal and interest (SPPI) criteria, and includes updated disclosures for certain instruments. The amendments are expected to be adopted by the CIPFA Code for [2026/27](#).

IFRS 18 Presentation and Disclosure in the Financial Statements

IFRS 18 will replace IAS 1 Presentation of Financial Statements. All entities reporting under IFRS Accounting Standards will be impacted.

The new standard will impact the structure and presentation of the comprehensive income and expenditure statement as well as introduce specific disclosure requirements. Some of the key changes are:

- introducing new defined categories for the presentation of income and expenses
- introducing specified totals and subtotals, for example the mandatory inclusion of 'Operating profit or loss' subtotal
- disclosure of management defined performance measures
- enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes.

IFRS 18 will be effective in the UK from 1 January 2027 and so could impact the CIPFA Code from [2027/28](#).

Group audit scope and risk assessment

Component	Risk of material misstatement to the group	Planned audit approach and level of response required under ISA (UK) 600 Revised	Response performed by	Risks identified	Auditor
Herefordshire Council	Yes	Audit of the entire financial information of the component	Group auditor	<ul style="list-style-type: none"> • Management override of controls • Valuation of land and buildings • Valuation of investment properties • Valuation of the pension fund net assets/ liabilities 	Grant Thornton UK
Hoople Limited	Yes	Specific audit procedures on material balances to the group	Group auditor	No specific risks identified. Management override of controls will be covered adequately in the Herefordshire Council testing.	Hoople Limited is audited by Williamson & Croft Audit Limited. However, only a limited number of balances are of significance to the group audit, therefore audit procedures over these balances will be performed by the group auditor, Grant Thornton UK, and no reliance will be placed on the work of Williamson & Croft Audit Limited.

Group audit scope and risk assessment (continued)

In accordance with ISA (UK) 600 Revised, as group auditor we are required to obtain sufficient appropriate audit evidence regarding the financial information of the components and 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.

Key changes within the group

- We are not aware of any significant changes to the group or to the components.
- Management have shared their group determination accounting paper and confirmed that the group assessment remains consistent with the prior year. That is that Hoople Limited are consolidated as a material subsidiary in which the Council have a controlling interest.

Fraud and litigation

We have not been made aware of any actual or attempted frauds in the year during our planning procedures performed to date. Should any factors arise in relation to fraud risk or actual or attempted fraud we ask that you inform us of this at the earliest possible opportunity.

Involvement in the work of component auditors

We will not be using or relying on any work performed by the auditor of Hoople. Grant Thornton will perform audit procedures to gain assurance over the material Hoople balances to the group.

At this stage the only material balance we are aware of is the Hoople employee expenditure.



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