



## AUDIT COMMITTEE

30<sup>th</sup> June 2026

**Subject Heading:**

External Audit Plans 2025/26

**ELT Lead:**

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**Report Author and contact details:**

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**Policy context:**

Audit Committee to consider the External Audit Plans for the London Borough of Havering and for the Pension Fund.

**Financial summary:**

The cost of the audits is set out within the audit plans.

### The subject matter of this report deals with the following Council Objectives

People - Supporting our residents to stay safe and well  
Place - A great place to live, work and enjoy  
Resources - Enabling a resident-focused and resilient Council - X

### SUMMARY

The Council's external auditor, Ernst and Young (EY), has prepared audit plans for 2025/26 for both the Council and the Pension Fund (Appendices A and B). The plans set out EY's proposed audit approach, including scope, key risks, materiality thresholds and arrangements for delivering the audits in line with statutory deadlines.

While the overall audit approach is consistent, the plans reflect differing risk profiles between the Council and the Pension Fund. In particular, there remains a continued focus on rebuilding audit assurance for the Council and Group accounts following prior year disclaimer opinions, whereas the Pension Fund accounts have continued to receive unqualified audit opinions in all years.

The plans also highlight areas of progress in improving financial reporting and supporting evidence, alongside key audit risks requiring significant judgement, and the importance of timely, high-quality financial statements, working papers and supporting evidence to enable efficient audit delivery.

The Council has continued to meet statutory deadlines for the publication of draft financial statements despite the national audit backlog. EY's plans reflect a phased approach to rebuilding assurance over prior year balances for the Council and Group accounts, alongside progressing the audits of the current year.

## **RECOMMENDATIONS**

The Committee is asked to:

1. Note the contents of the audit plans (Appendices A and B), including the significant audit risks, materiality thresholds and proposed audit approach.
2. Note the planned audit timetable, including EY's intention to present the Audit Results Reports in November 2026, and the statutory backstop date of 31 January 2027.

## **REPORT DETAIL**

### **1. Introduction**

Each year the Council's external auditor presents its audit plans to the Audit Committee. These plans outline EY's proposed audit scope and approach to the audit of the financial statements, including significant risks, materiality levels, and work on value for money arrangements.

The plans also reflect the wider national context of audit recovery, including the impact of backstop dates and the requirement to rebuild assurance over historic balances. EY's approach therefore combines delivery of the current year audit with a longer-term process to restore assurance over the Council's financial statements.

### **2. Key Matters for the Committee**

The audit plans highlight the following key matters for the Committee's attention:

- **Rebuilding audit assurance (Council and Group Accounts):**  
EY recognise that progress has been made in financial reporting and audit readiness, providing a foundation for rebuilding assurance. However, prior years that were unaudited or disclaimed mean that assurance over opening balances and reserves remains incomplete, and a return to unqualified opinions for the Council accounts will take time. The Pension Fund accounts

are not affected by this position and have continued to receive unqualified audit opinions.

- **Audit recovery context:**

The Council is operating within the national audit recovery framework, including the application of statutory backstop dates. EY's plans reflect a phased approach to rebuilding assurance over historic balances for the Council and Group accounts, alongside progressing the audits for the current year.

- **Key audit risks and judgements:**

Significant audit risks remain in key areas including asset valuations, pensions (within the Council's financial statements), group accounts, leasing (IFRS 16) and bad debt provisions.

- **Quality and timeliness of audit evidence:**

The timely provision of complete, accurate and well-supported working papers remains critical to enabling audit delivery in line with the agreed timetable and avoiding further delays.

- **Governance and internal control improvements:**

EY's value for money work continues to highlight the need to strengthen governance arrangements and internal controls, particularly in response to prior year findings and internal audit conclusions.

### **3. Materiality and audit approach**

EY have set materiality thresholds to focus audit work on areas with the greatest potential impact on the financial statements.

- For the Council and Group audit, planning materiality has been set at £8.0m (1% of gross expenditure), with performance materiality of £4.0m and a reporting threshold of £0.4m.
- For the Pension Fund, planning materiality is £10.08m (1% of net assets), with performance materiality of £7.56m and a reporting threshold of £0.5m.

These thresholds determine the nature and extent of audit testing and reflect both the size of the balances and the level of audit risk identified.

### **4. Audit timetable and delivery**

EY have agreed an audit timetable with officers, with planning and interim work commencing early in the year and detailed risk assessment work undertaken by June 2026. Substantive audit testing will take place over the summer and autumn, with the Audit Results Reports planned for November 2026.

The audit process requires ongoing engagement between the auditor and finance team throughout this period, with audit work undertaken in phases across the year. Timely provision of working papers and responses to audit queries will be critical to maintaining progress against the agreed timetable.

## **5. Background**

At its meeting on 22 March 2022, the Council approved the decision to procure an external audit contract through Public Sector Audit Appointments Ltd (PSAA) for both the Council and the Pension Fund. EY was appointed as the Council's external auditor for the current contract period, which runs to 2027/28.

PSAA sets and publishes scale fees for each audited body. The scale fees for the 2025/26 accounts are:

- LB Havering Council           £464,973
- Pension Fund                   £ 97,873

The scale fee assumes delivery of the audit in line with agreed timetables and requirements. Where additional work is required due to local circumstances or changes in audit requirements, fee variations may be proposed to PSAA.

### **Audit backstop context and prior year audit position**

Members should note the national context of the local audit backlog and the introduction of statutory backstop dates, which require audits to be concluded by a fixed deadline regardless of whether sufficient assurance has been obtained.

For Havering, the Council's 2021/22 and 2022/23 accounts were not subject to audit. The 2023/24 and 2024/25 Council accounts were subject to audit but resulted in disclaimed opinions due to the absence of assurance over opening balances and reserves arising from the prior unaudited years. In contrast, the Pension Fund accounts have been fully audited in all years and have received unqualified opinions up to and including 2024/25.

This position was anticipated in line with the national audit recovery approach and reflects the need for a phased rebuilding of assurance over historic balances.

Notwithstanding these sector-wide challenges, the Council has achieved publication of unaudited accounts in line with statutory deadlines each year, providing a strong foundation for the recovery of the audit position.

## **IMPLICATIONS AND RISKS**

### **Financial implications and risks:**

Public Sector Audit Appointments Ltd (PSAA) appoints auditors and sets scale fees for a five-year period. This contract was retendered for 2023/24, and Ernst and Young was reappointed up to 2027/28.

The scale fees for the 2025/26 audit will be £464,973 (prior year £452,308) for the Council and £97,873 (prior year £96,974) for the Pension Fund. The scale fees reflect the agreed audit arrangements however; the regulations allow for a fee variation proposal to be submitted to PSAA where further audit work is required.

### **Legal implications and risks:**

The audit plan and related timetable as noted in the recommendations will enable the Council to comply with the requirements of the Local Audit and Accountability Act 2014, section 4. The Act requires that the Council's accounts be audited in accordance with the provisions of the Act by an auditor appointed under the arrangements prescribed in the Act.

The Council is also obliged to comply with the National Audit Office Code of Audit Practice published under the 2014 Act; the Statement of Responsibilities issued by the Public Sector Audit Appointments (PSAA) Ltd; the Accounts and Audit (amendment) Regulations 2024; Auditing Standards and other professional requirements.

The Plan outlined by Ernst & Young (EY) in discharge of its responsibility as the appointed auditor, will ensure that the audit fulfils the statutory requirements.

### **Human Resources implications and risks:**

There are no direct Human Resources implications in this report.

### **Equalities implications and risks:**

There are no direct equalities implications in this report.

The Public Sector Equality Duty (PSED) under section 149 of the Equality Act 2010 requires the Council, when exercising its functions, to have 'due regard' to:

- (i) The need to eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010;
- (ii) The need to advance equality of opportunity between persons who share protected characteristics and those who do not, and;
- (iii) Foster good relations between those who have protected characteristics and those who do not.

Note: 'Protected characteristics' are age, disability, gender reassignment, marriage

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and civil partnerships, pregnancy and maternity, race, religion or belief, sex/gender, and sexual orientation.

The Council is committed to all of the above in the provision, procurement and commissioning of its services, and the employment of its workforce. In addition, the Council is also committed to improving the quality of life and wellbeing for all Havering residents in respect of socio-economics and health determinants.

### **Environmental and Climate Change implications and risks:**

None arising directly from this report.

### **Appendices:**

Appendix A – London Borough of Havering Audit Plan, Year ended 31 March 2026

Appendix B – Havering Pension Fund Audit Plan, Year ended 31 March 2026