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Contact:
Democracy@welhat.gov.uk

28 August 2024

You are requested to attend a meeting of the WELWYN HATFIELD BOROUGH COUNCIL AUDIT COMMITTEE to be held on Thursday 5 September 2024 at 7.30 pm in the Council Chamber, Council Offices, The Campus, Welwyn Garden City, Herts, AL8 6AE

AGENDA
PART 1

1. **APOLOGIES & SUBSTITUTIONS**

To note any substitution of Committee members made in accordance with Council Procedure Rules.

2. **MINUTES**

To confirm as a correct record the Minutes of the meeting held on 25 June 2024 (previously circulated).

3. **NOTIFICATION OF URGENT BUSINESS TO BE CONSIDERED UNDER ITEM 11**

4. **DECLARATIONS OF INTERESTS BY MEMBERS**

To note declarations of Members' disclosable pecuniary interests, non-disclosable pecuniary interests and non-pecuniary interests in respect of items on this agenda.

5. **EXTERNAL AUDIT KPMG - PROGRESS REPORT ON THE EXTERNAL AUDIT PLAN 2023/24 (Pages 5 - 34)**

To receive a report from KPMG on the external audit plan and strategy for the year ending 31st March 2024.

6. **RISK MANAGEMENT QUARTER 1 RISK REGISTERS (Pages 35 - 80)**

Report of the Executive Director (Finance and Transformation)

7. **SHARED INTERNAL AUDIT SERVICE (SIAS) - PROGRESS REPORT 2024/25**

If you require any further information about this Agenda please contact Democratic Services, Governance Service on democracy@welhat.gov.uk

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Welwyn Hatfield Borough Council

DRAFT Report to the Audit Committee

External Audit Plan & Strategy for the year ending
31 March 2024

5 September 2024

Introduction

To the Audit Committee
of Welwyn Hatfield Borough Council

We are pleased to have the opportunity to meet with you on 05 September 2024 to discuss our audit of the financial statements of Welwyn Hatfield Borough Council for the year ending 31 March 2024.

We have been appointed as your auditors by Public Sector Audit Appointments Ltd. The audit is governed by the provisions of the Local Audit and Accountability Act 2014 and in compliance with the NAO Code of Audit Practice.

This report outlines our risk assessment and planned audit approach. We note that an audit opinion has not been expressed on the prior period, once the prior period audit opinion has been expressed we will communicate any significant changes to the planned approach. In addition, any legislation changes as a result of ongoing DHLUC, NAO & CIPFA consultations may impact our plan. We provide this report to you in advance of the meeting to allow you sufficient time to consider the key matters and formulate your questions.

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The engagement team

Chris Paisley (ACA) is the engagement director on the audit. He has 14 years of experience. Chris will lead the engagement and is responsible for the audit opinion.

Other key members of the engagement team include Adam Lyon (Engagement Manager) and Marshal Ngwarai (In Charge Auditor) with 9 and 8 years of experience respectively.

Yours sincerely,

Chris Paisley

Director - KPMG LLP

5 March 2024

How we deliver audit quality

Audit quality is at the core of everything we do at KPMG and we believe that it is not just about reaching the right opinion, but how we reach that opinion. We consider risks to the quality of our audit in our engagement risk assessment and planning discussions.

We define 'audit quality' as being the outcome when audits are:

- Executed consistently, in line with the requirements and intent of applicable professional standards within a strong system of quality controls and
- All of our related activities are undertaken in an environment of the utmost level of objectivity, independence, ethics and integrity.

We depend on well planned timing of our audit work to avoid compromising the quality of the audit. This is also heavily dependent on receiving information from management and those charged with governance in a timely manner. The audit undertaken in the current year is dependent on the finalisation of the previous auditor's work over historical financial statements. We aim to complete all audit work no later than 2 days before audit signing. As you are aware, we will not issue our audit opinion until we have completed all relevant procedures, including audit documentation.

Overview of planned scope including materiality

Our materiality levels

We determine materiality for the Council financial statements at a level which could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. We used a benchmark of total expenditure which we consider to be appropriate given the sector in which the entity operates, its ownership and financing structure, and the focus of users.

We considered qualitative factors such as stability of legislation and a lack of shareholders when determining materiality for the financial statements as a whole.

To respond to aggregation risk from individually immaterial misstatements, we design our procedures to detect misstatements at a lower level of materiality (65% of materiality) driven by our expectations of an increased level of undetected or uncorrected misstatements resulting from an absence of audit assurance for the prior year.

We will report misstatements to the audit committee including:

- Corrected and uncorrected audit misstatements above £0.15m.
- Errors and omissions in disclosure (Corrected and uncorrected) and the effect that they, individually in aggregate, may have on our opinion.
- Other misstatements we include due to the nature of the item.

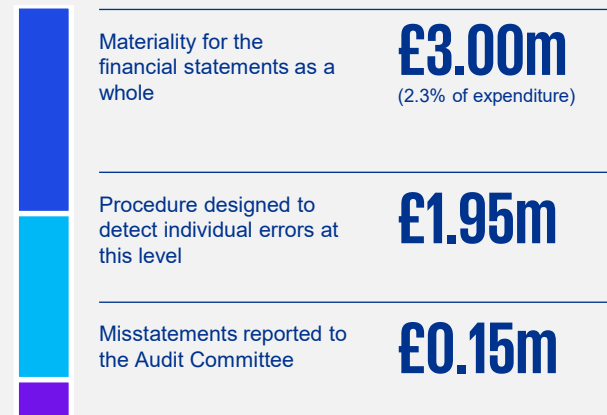
Control environment

The impact of the control environment on our audit is reflected in our planned audit procedures, in particular the lack of existing knowledge has led us to reduce our performance materiality as already referenced.

File review

We will undertake an appropriate prior year file review dependent on the final opinion issued by the previous auditors.

Council Materiality



Overview of planned scope including materiality (cont.)

Timing of our audit and communications

We will maintain communication led by the engagement director and manager throughout the audit. We set out below the form, timing and general content of our planned communications:

- Kick-off meeting with management on 11 January 2024 outlining our audit approach and discuss management’s progress in key areas.
- Due to the work of previous auditors still being on-going, and the ongoing legislative process regarding the backstop dates, we anticipate that we will report on audit completion to the January 2025 Audit Committee.
- Biannual private meetings can also be arranged with the Audit Committee chair if there is interest.

Using the work of others and areas requiring specialised skill

We outline below where, in our planned audit response to audit risks, we expect to use the work of others such as Internal Audit or require specialised skill/knowledge to perform planned audit procedures and evaluate results.

Others	Extent of planned involvement or use of work
Internal Audit	We do not plan to rely on the work performed by internal audit as part of our external audit.
KPMG Pensions Centre of Excellence (PCoE)	We will be utilising our PCoE team to perform work over the LGPS assets & liabilities within the Council’s accounts.
KPMG IT Audit Team	Given this is a first year audit and we are unfamiliar with the IT environment, we will be utilising our IT team to gain an understanding of the key financial systems and processes within the council.

Significant risks and Other audit risks

Key: # Significant financial statement audit risks

Our risk assessment draws upon our understanding of the applicable financial reporting framework, knowledge of the business, the sector and the wider economic environment in which Welwyn Hatfield Borough Council operates.

We also use our regular meetings with senior management to update our understanding and take input from internal audit reports.

Due to the current levels of uncertainty there is an increased likelihood of significant risks emerging throughout the audit cycle that are not identified (or in existence) at the time we planned our audit. Where such items are identified we will amend our audit approach accordingly and communicate this to the Audit Committee.

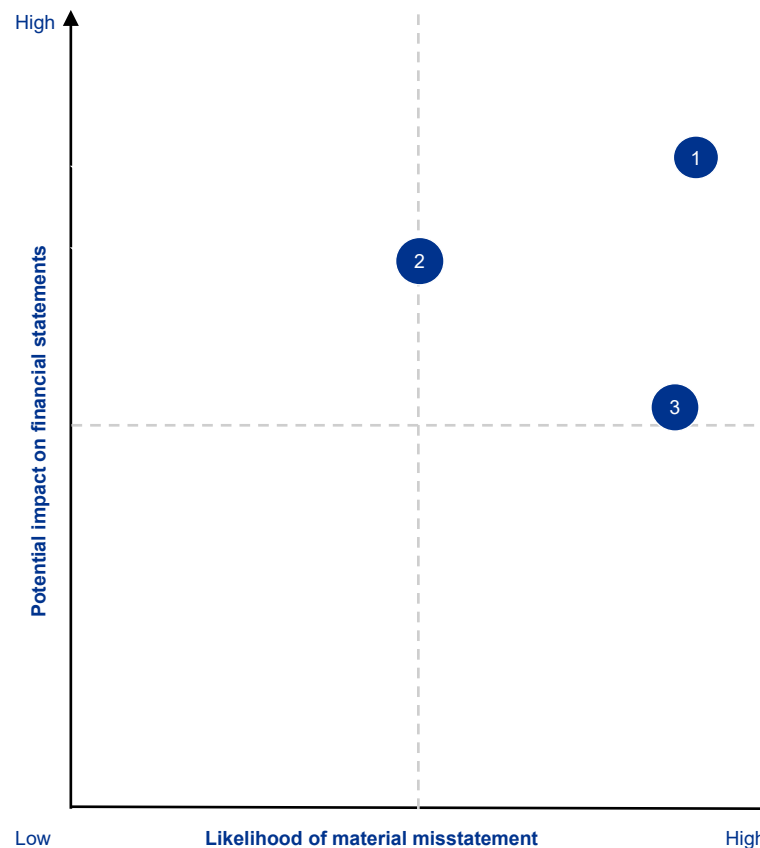
Value for money

We are required to provide commentary on the arrangements in place for ensuring Value for Money is achieved at the Council and report on this via our Auditor's Annual Report. This will be published on the Council's website and include a commentary on our view of the appropriateness of the Council's arrangements against each of the three specified domains of Value for Money: financial sustainability; governance; and improving economy, efficiency and effectiveness.

Our detailed risk assessment work is in progress and following receipt of the VFM self assessment we will consider if there are to be any significant risks that require further audit work to be undertaken.

Significant risks

1. Valuation of land and buildings
2. Management override of controls
3. Valuation of post retirement benefit obligations



Audit risks and our audit approach

1 Valuation of land and buildings

The carrying amount of revalued Land & Buildings differs materially from the fair value



Significant audit risk

The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate current value at that date. The Council conducts a full valuation every five years of HRA assets. In between these five yearly valuations an annual desktop review is undertaken. With regards to general funds assets, a proportion of the assets are valued each year as part of a rolling programme whereby all assets will be valued at least once every 5 years.

Valuations are inherently judgmental and there is a risk of error that the assumptions are not appropriate or correctly applied.

The value of the Council's Land & Buildings at 31 March 2024 was £1,186m (31 March 2023: £1,206m).

The last full revaluation of HRA assets took place 31 March 2021. The last full revaluation of general fund assets took place 1 April 2014, and through the rolling programme all assets have been valued within the last 5 years.



Planned response

We will perform the following procedures designed to specifically address the significant risk associated with the valuation:

- We will critically assess the independence, objectivity and expertise of the District Valuer (HRA assets) and Avison Young (general fund assets), the valuers used in developing the valuation of the Council's properties at 31 March 2024;
- We will inspect the instructions issued to the valuers for the valuation of land and buildings to verify they are appropriate to produce a valuation consistent with the requirements of the CIPFA Code;
- We will compare the accuracy of the data provided to the valuers for the development of the valuation to underlying information;
- We will evaluate the design and implementation of controls in place for management to review the valuation and the appropriateness of assumptions used;
- We will challenge the appropriateness of the valuation of land and buildings, including key assumptions within the valuation as part of our judgement;
- We will agree the calculations performed of the movements in value of land and buildings and verify that these have been accurately accounted for in line with the requirements of the CIPFA Code; and
- Disclosures: We will consider the adequacy of the disclosures concerning the key judgements and degree of estimation involved in arriving at the valuation.

Audit risks and our audit approach (cont.)

2

Management override of controls(a)

Fraud risk related to unpredictable way management override of controls may occur



Significant audit risk

- Professional standards require us to communicate the fraud risk from management override of controls as significant.
- Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.
- We have not identified any specific additional risks of management override relating to this audit.

Note: (a) Significant risk that professional standards require us to assess in all cases.



Planned response

Our audit methodology incorporates the risk of management override as a default significant risk:

- Assess accounting estimates for biases by evaluating whether judgements and decisions in making accounting estimates, even if individually reasonable, indicate a possible bias;
- Evaluate the selection and application of accounting policies;
- In line with our methodology, evaluate the design and implementation of controls over journal entries and post closing adjustments;
- Assess the appropriateness of changes compared to the prior year to the methods and underlying assumptions used to prepare accounting estimates;
- Assess the business rationale and the appropriateness of the accounting for significant transactions that are outside the Council's normal course of business, or are otherwise unusual; and
- We will analyse all journals through the year using data and analytics and focus our testing on those with a higher risk.

Audit risks and our audit approach (cont.)

3

Valuation of post retirement benefit obligations

An inappropriate amount is estimated and recorded for the defined benefit obligation



Significant audit risk

- The valuation of the post retirement benefit obligations involves the selection of appropriate actuarial assumptions, most notably the discount rate applied to the scheme liabilities, inflation rates and mortality rates. The selection of these assumptions is inherently subjective and small changes in the assumptions and estimates used to value the Council's pension liability could have a significant effect on the financial position of the Council.
- The effect of these matters is that, as part of our risk assessment, we determined that post retirement benefits obligation has a high degree of estimation uncertainty. The financial statements disclose the assumptions used by the Council in completing the year end valuation of the pension deficit and the year on year movements.
- We have identified this in relation to the following pension scheme memberships: Local Government Pension Scheme
- Also, recent changes to market conditions have meant that more councils are finding themselves moving into surplus in their Local Government Pension Scheme (or surpluses have grown and have become material). The requirements of the accounting standards on recognition of these surplus are complicated and requires actuarial involvement.



Planned response

We will perform the following procedures:

- Evaluate the competency, objectivity of the actuaries to confirm their qualifications and the basis for their calculations;
- Evaluate the design and implementation of controls in place for the Council to determine the appropriateness of the assumptions used by the actuaries in valuing the liability;
- Perform inquiries of the accounting actuaries to assess the methodology and key assumptions made, including actual figures where estimates have been used by the actuaries, such as the rate of return on pension fund assets;
- Agree the data provided by the audited entity to the Scheme Administrator for use within the calculation of the scheme valuation;
- Challenge, with the support of our own actuarial specialists, the key assumptions applied, being the discount rate, inflation rate and mortality/life expectancy against externally derived data;
- Confirm that the accounting treatment and entries applied by the Council are in line with IFRS and the CIPFA Code of Practice;
- Consider the adequacy of the Council's disclosures in respect of the sensitivity of the deficit or surplus to the assumptions; and
- Where applicable, assess the level of surplus that should be recognised by the entity.

Audit risks and our audit approach

Revenue – Rebuttal of Significant Risk

Professional standards require us to make a rebuttable presumption that the fraud risk from revenue recognition is a significant risk. **Due to the nature of the revenue within the sector and the work undertaken to date we have rebutted this significant risk.**

Description of Income	Nature of Income	Rationale for Rebuttal
Council tax	This is the income received from local residents paid in accordance with an annual bill based on the banding of the property concerned.	The income is highly predictable and is broadly known at the beginning of the year, due to the number of properties in the area and the fixed price that is approved annually based on a band D property; it is highly unlikely for there to be a material error in the population.
Business rates	Revenue received from local businesses paid in accordance with an annual demand based on the rateable value of the business concerned.	The income is highly predictable and is broadly known at the beginning of the year, due to the number of businesses in the area and the fixed amount that is approved annually; it is highly unlikely for there to be a material error in the population.
Fees and charges	Revenue recognised from receipt of fixed fee services, in line with the fees and charges schedules agreed and approved annually.	The income stream represents high volume, low value sales, with simple recognition. Fees and charges values are agreed annually. We do not deem there to be any incentive or opportunity to manipulate the income.
Grant income	Predictable income receipted primarily from central government, including for housing benefits.	Grant income at a local authority typically involves a small number of high value items and an immaterial residual population. These high value items frequently have simple recognition criteria and can be traced easily to third party documentation, most often from central government source data. There is limited incentive or opportunity to manipulate these figures.
Commercial rental income	Revenue received in relation to the leasing of commercial property	The income is highly predictable based on signed leases with tenants. We do not deem there to be any incentive or opportunity to manipulate the income and note there would need to be a significant volume of transactions misstated to create a material error

Mandatory communications - additional reporting




Going concern

Under NAO guidance, including Practice Note 10 - A local authority's financial statements shall be prepared on a going concern basis; this is, the accounts should be prepared on the assumption that the functions of the authority will continue in operational existence for the foreseeable future. Transfers of services under combinations of public sector bodies (such as local government reorganization) do not negate the presumption of going concern.






However, financial sustainability is a core area of focus for our Value for Money opinion.

Additional reporting

Your audit is undertaken to comply with the Local Audit and Accountability Act 2014 which gives the NAO the responsibility to prepare an Audit Code (the Code), which places responsibilities in addition to those derived from audit standards on us. We also have responsibilities which come specifically from acting as a component auditor to the NAO. In considering these matters at the planning stage we indicate whether:

Work is completed throughout our audit and we can confirm the matters are progressing satisfactorily 	We have identified issues that we may need to report 	Work is completed at a later stage of our audit so we have nothing to report 
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We have summarised the status of all these various requirements at the time of planning our audit below and will update you as our work progresses:

Type	Status	Response
Our declaration of independence		No matters to report. The engagement team and others in the firm, as appropriate, have complied with relevant ethical requirements regarding independence.
Issue a report in the public interest		We are required to consider if we should issue a public interest report on any matters which come to our attention during the audit. We have not identified any such matters to date.
Provide a statement to the NAO on your consolidation schedule		This "Whole of Government Accounts" requirement is fulfilled when we complete any work required of us by the NAO to assist their audit of the consolidated accounts of DLUHC.
Provide a summary of risks of significant weakness in arrangements to provide value for money		We are required to report significant weaknesses in arrangements. Work to be completed at a later stage.
Certify the audit as complete		We are required to certify the audit as complete when we have fulfilled all of our responsibilities relating to the accounts and use of resources as well as those other matters highlighted above.

Mandatory communications

Type	Statements
Management’s responsibilities (and, where appropriate, those charged with governance)	<p>Prepare financial statements in accordance with the applicable financial reporting framework that are free from material misstatement, whether due to fraud or error.</p> <p>Provide the auditor with access to all information relevant to the preparation of the financial statements, additional information requested and unrestricted access to persons within the entity.</p>
Auditor’s responsibilities	<p>Our responsibilities set out through the NAO Code (communicated to you by the PSAA) and can be also found on their website, which include our responsibilities to form and express 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.</p>
Auditor’s responsibilities – Fraud	<p>This report communicates how we plan to identify, assess and obtain sufficient appropriate evidence regarding the risks of material misstatement of the financial statements due to fraud and to implement appropriate responses to fraud or suspected fraud identified during the audit.</p>
Auditor’s responsibilities – Other information	<p>Our responsibilities are communicated to you by the PSAA and can be also found on their website, which communicates our responsibilities with respect to other information in documents containing audited financial statements. We will report to you on material inconsistencies and misstatements in other information.</p>
Independence	<p>Our independence confirmation at page 16 discloses matters relating to our independence and objectivity including any relationships that may bear on the firm’s independence and the integrity and objectivity of the audit engagement lead/director and audit staff.</p>

Value for money

For 2023/24 our value for money reporting requirements have been designed to follow the guidance in the Audit Code of Practice.

Our responsibility is to conclude on significant weaknesses in value for money arrangements.

The main output is a narrative on each of the three domains, summarising the work performed, any significant weaknesses and any recommendations for improvement.

We have set out the key methodology and reporting requirements on this slide and provided an overview of the process and reporting on the following page.

Risk assessment processes

Our responsibility is to assess whether there are any significant weaknesses in the Council's arrangements to secure value for money. Our risk assessment will consider whether there are any significant risks that the Council does not have appropriate arrangements in place.

In undertaking our risk assessment we will be required to obtain an understanding of the key processes the Council has in place to ensure this, including financial management, risk management and partnership working arrangements. We will complete this through review of the Council's documentation in these areas and performing inquiries of management as well as reviewing reports, such as internal audit assessments.

Reporting

Our approach to value for money reporting aligns to the NAO guidance and includes:

- A summary of our commentary on the arrangements in place against each of the three value for money criteria, setting out our view of the arrangements in place compared to industry standards;
- A summary of any further work undertaken against identified significant risks and the findings from this work; and
- Recommendations raised as a result of any significant weaknesses identified and follow up of previous recommendations.

The Council will be required to publish the commentary on its website at the same time as publishing its annual report online.

Financial sustainability

How the body manages its resources to ensure it can continue to deliver its services.

Governance

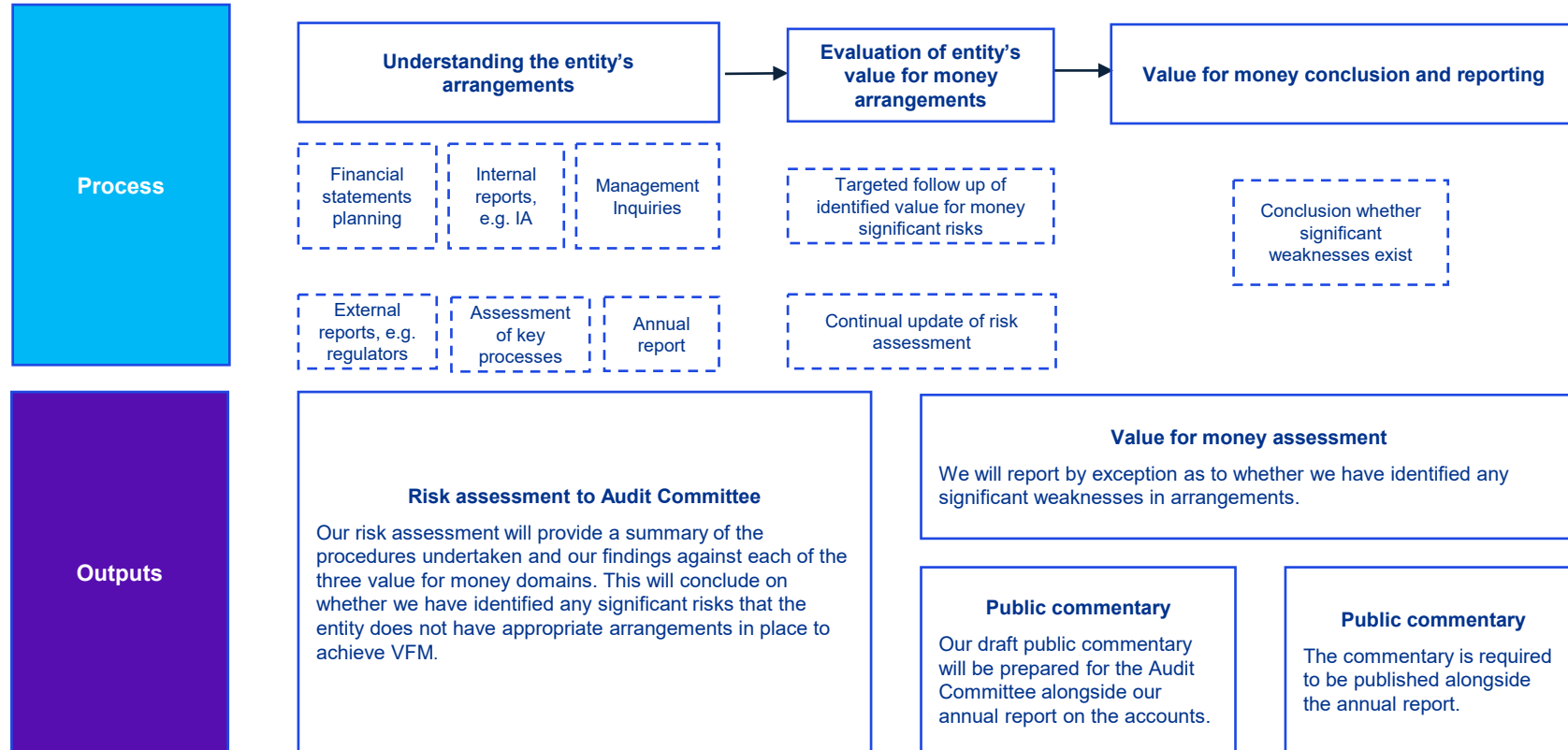
How the body ensures that it makes informed decisions and properly manages its risks.

Improving economy, efficiency and effectiveness

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

Value for money

Approach we take to completing our work to form and report our conclusion:



Summary of risk assessment

Summary of risk assessment

As set out in our methodology we will evaluate the design of controls in place for a number of the Council's systems, review reports from external organisations and internal audit and perform inquiries of management.

Work in this area is ongoing, however nothing has come to our attention to date which would indicate a value for money significant risk or weakness.




Our value for money risk assessment conclusions will be shared with the Council's senior leadership team once finalised, and with the Audit Committee at their next meeting (30 January 2025).

Appendix

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Audit team and rotation

Your audit team has been drawn from our specialist local government audit department and is led by key members of staff who will be supported by auditors and specialists as necessary to complete our work. We also ensure that we consider rotation of your audit lead/director and firm.

	<p>Chris Paisley is the director responsible for our audit. He will lead our audit work, attend the Audit Committee and be responsible for the opinions that we issue.</p>		<p>Adam Lyon is the manager responsible for our audit. He will co-ordinate our audit work, attend the Audit Committee and ensure we are co-ordinated across our accounts and value for money work.</p>		<p>Marshal Ngwarai is the assistant manager responsible for our audit. He will be responsible for our on-site fieldwork. He will complete work on more complex sections of the audit.</p>
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To comply with professional standard we need to ensure that you appropriately rotate your external audit engagement lead. There are no other members of your team which we will need to consider this requirement for:



This will be Chris' first year as your engagement lead. He is required to rotate every five years, extendable to seven with PSAA approval.

Audit cycle & indicative timetable

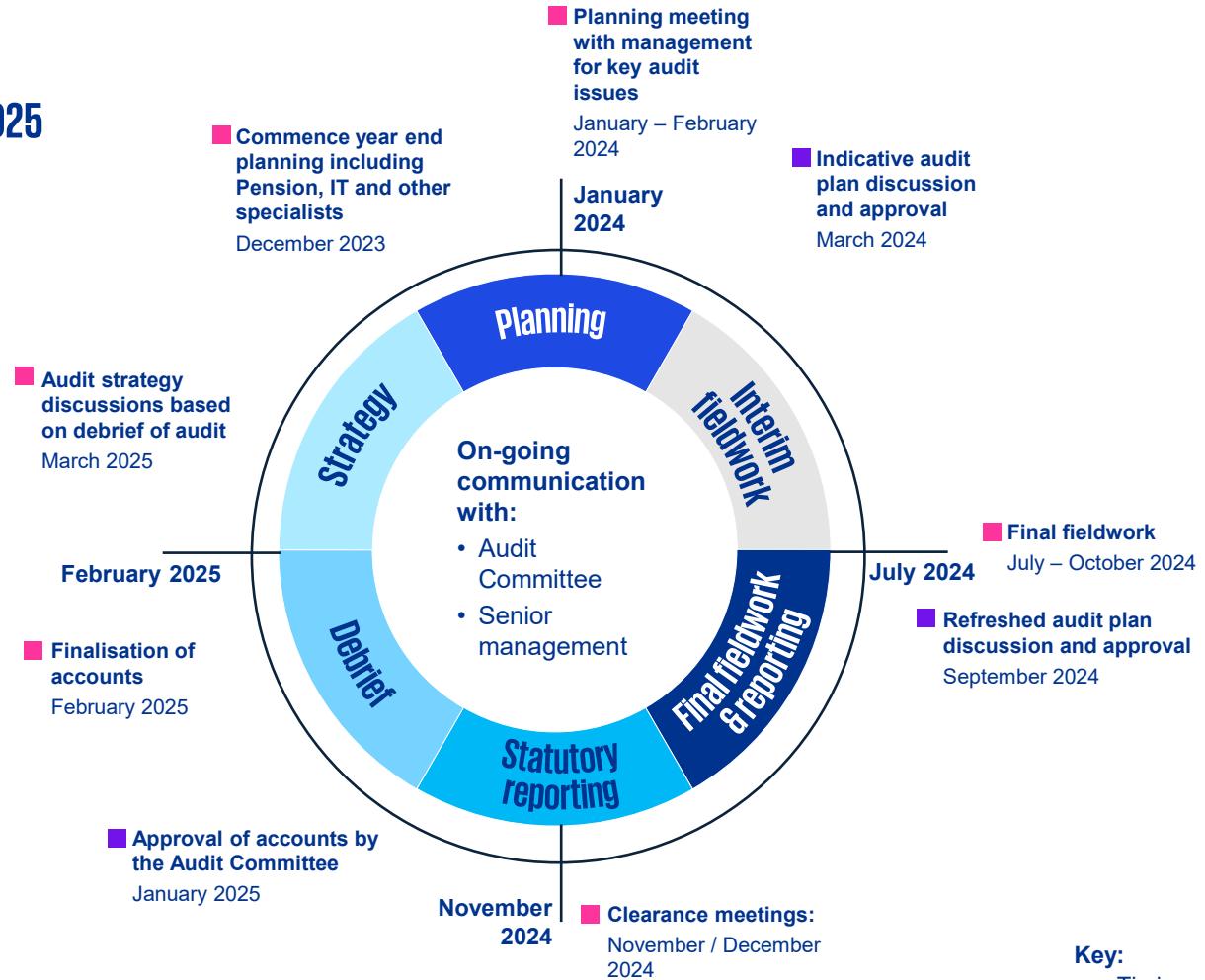
Our schedule: December 2023– February 2025

We have worked with management to generate our understanding of the processes and controls in place at the Council in its preparation of the Statement of Accounts.

We have agreed with management an audit cycle and timetable that reflects our aim to sign our audit report by 28 February 2025 as per the proposed backstop date.

This being the first year of KPMG as auditor we have undertaken greater activities to understand the Council at the planning stage. This level of input may not be required in future years and may change our audit timings.

Given the ongoing legislative process taking place regarding the scope and timing of prior audits, this audit schedule may be subject to change.



Key:

- Timing of AC communications
- Key events

Fees

Audit fee

Our fees for the year ending 31 March 2024 are set out in the PSAA Scale Fees communication and are shown below.

Entity	2023/24 (£'000)	2022/23 (£'000)
Statutory audit	169	110
ISA315r	TBC	-
ISA240	TBC	-
TOTAL	TBC	110

**scale fee charged by EY - your predecessor auditor.*

As per PSAA's Scale Fees Consultation, the fees do not include new requirements of ISA315 revised (risk of material misstatement); or ISA 240 (auditor's responsibilities relating to fraud). Based on our risk assessment work to date we anticipate that this will be between 5 and 10% of the scale fee.

The fees also assume no significant risks are identified as part of the Value for Money risk assessment. Additional fees in relation to these areas will be subject to the fees variation process as outlined by the PSAA.

Billing arrangements

Fees will be billed in accordance with the milestone completion phasing that has been communicated by the PSAA.

Basis of fee information

Our fees are subject to the following assumptions:

- The Council's audit evidence files are completed to an appropriate standard (we will liaise with you separately on this);
- Draft statutory accounts are presented to us for audit subject to audit and tax adjustments;
- Supporting schedules to figures in the accounts are supplied;
- The Council's audit evidence files are completed to an appropriate standard (we will liaise with management separately on this);
- A trial balance together with reconciled control accounts are presented to us;
- All deadlines agreed with us are met;
- We find no weaknesses in controls that cause us to significantly extend procedures beyond those planned;
- Management will be available to us as necessary throughout the audit process; and
- There will be no changes in deadlines or reporting requirements.

We will provide a list of schedules to be prepared by management stating the due dates together with pro-formas as necessary.

Our ability to deliver the services outlined to the agreed timetable and fee will depend on these schedules being available on the due dates in the agreed form and content.

Any variations to the above plan will be subject to the PSAA fee variation process.

Confirmation of Independence

We confirm that, in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and that the objectivity of the engagement lead/director and audit staff is not impaired.

To the Audit Committee members

Assessment of our objectivity and independence as auditor of Welwyn Hatfield Borough Council

Professional ethical standards require us to provide to you at the planning stage of the audit a written disclosure of relationships (including the provision of non-audit services) that bear on KPMG LLP's objectivity and independence, the threats to KPMG LLP's independence that these create, any safeguards that have been put in place and why they address such threats, together with any other information necessary to enable KPMG LLP's objectivity and independence to be assessed.

This letter is intended to comply with this requirement and facilitate a subsequent discussion with you on audit independence and addresses:

- General procedures to safeguard independence and objectivity;
- Independence and objectivity considerations relating to the provision of non-audit services; and
- Independence and objectivity considerations relating to other matters.

General procedures to safeguard independence and objectivity

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP partners/directors and staff annually confirm their compliance with our ethics and independence policies and procedures including in particular that they have no prohibited shareholdings. Our ethics and independence policies and procedures are fully consistent with the requirements of the FRC Ethical Standard. As a result we have underlying safeguards in place to maintain independence through:

- Instilling professional values.
- Communications.
- Internal accountability.
- Risk management.
- Independent reviews.

The conclusion of the audit engagement lead/director as to our compliance with the FRC Ethical Standard in relation to this audit engagement and that the safeguards we have applied are appropriate and adequate is subject to review by an engagement quality control reviewer, who is a partner not otherwise involved in your affairs.

We are satisfied that our general procedures support our independence and objectivity

Independence and objectivity considerations relating to the provision of non-audit services

Summary of non-audit services

During the year we anticipate that we will provide non-audit services relating to the certification of the Pooling of Housing Capital Receipts (PHCR) and Housing Benefit Assurance Process (HBAP). Further detail is provided on the following page.

Confirmation of Independence

Disclosure	Description of scope of services	Principal threats to Independence	Safeguards Applied	Basis of fee	Value of Services Delivered in the year ended 31 March 2023 £k	Value of Services Committed but not yet delivered £k
1	Pooling of Housing Capital Receipts (PHCR) Certification	None identified.	<ul style="list-style-type: none"> The engagement contract makes clear that we will not perform any management functions. The work is performed is not relied on during the audit. Our work does not involve judgement and are statements of fact based on agreed upon procedures. 	Fixed	0	15
2	Housing Benefit Assurance Process (HBAP) Certification	None identified.	<ul style="list-style-type: none"> The engagement contract makes clear that we will not perform any management functions. The work is performed is not relied on during the audit. Our work does not involve judgement and are statements of fact based on agreed upon procedures. 	Fixed	0	317

Confirmation of Independence (cont.)

Summary of fees

We have considered the fees charged by us to the Council for professional services provided by us during the reporting period.

Fee ratio

The ratio of non-audit fees to audit fees for the year is TBC but anticipated to be around below 2 : 1. We do not consider that the total non-audit fees create a self-interest threat since the absolute level of fees is not significant to our firm as a whole.

Application of the FRC Ethical Standard 2019

We communicated to you previously the effect of the application of the FRC Ethical Standard 2019. That standard became effective for the first period commencing on or after 15 March 2020, except for the restrictions on non-audit and additional services that became effective immediately at that date, subject to grandfathering provisions.

AGN 01 states that when the auditor provides non-audit services, the total fees for such services to the audited entity and its controlled entities in any one year should not exceed 70% of the total fee for all audit work carried out in respect of the audited entity and its controlled entities for that year.

We confirm that as at 15 March 2020 we were not providing any non-audit or additional services that required to be grandfathered.

Independence and objectivity considerations relating to other matters

There are no other matters that, in our professional judgment, bear on our independence which need to be disclosed to the Audit Committee.

Confirmation of audit independence

We confirm that as of the date of this letter, in our professional judgment, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the engagement lead/director and audit staff is not impaired.

This report is intended solely for the information of the Audit Committee of the Council and should not be used for any other purposes.

We would be very happy to discuss the matters identified above (or any other matters relating to our objectivity and independence) should you wish to do so.

Yours faithfully

Chris Paisley

KPMG LLP

KPMG's Audit quality framework

Audit quality is at the core of everything we do at KPMG and we believe that it is not just about reaching the right opinion, but how we reach that opinion.

To ensure that every partner and employee concentrates on the fundamental skills and behaviours required to deliver an appropriate and independent opinion, we have developed our global Audit Quality Framework.

Responsibility for quality starts at the top through our governance structures as the UK Board is supported by the Audit Oversight Committee, and accountability is reinforced through the complete chain of command in all our teams.

■ Commitment to continuous improvement

- Comprehensive effective monitoring processes
- Significant investment in technology to achieve consistency and enhance audits
- Obtain feedback from key stakeholders
- Evaluate and appropriately respond to feedback and findings

■ Performance of effective & efficient audits

- Professional judgement and scepticism
- Direction, supervision and review
- Ongoing mentoring and on the job coaching, including the second line of defence model
- Critical assessment of audit evidence
- Appropriately supported and documented conclusions
- Insightful, open and honest two way communications

■ Commitment to technical excellence & quality service delivery

- Technical training and support
- Accreditation and licensing
- Access to specialist networks
- Consultation processes
- Business understanding and industry knowledge
- Capacity to deliver valued insights



■ Association with the right entities

- Select entities within risk tolerance
- Manage audit responses to risk
- Robust client and engagement acceptance and continuance processes
- Client portfolio management

■ Clear standards & robust audit tools

- KPMG Audit and Risk Management Manuals
- Audit technology tools, templates and guidance
- KPMG Clara incorporating monitoring capabilities at engagement level
- Independence policies

■ Recruitment, development & assignment of appropriately qualified personnel

- Recruitment, promotion, retention
- Development of core competencies, skills and personal qualities
- Recognition and reward for quality work
- Capacity and resource management
- Assignment of team members and specialists

ISA (UK) 315 Revised: Overview



Summary

In the prior period, ISA (UK) 315 Revised “Identifying and assessing the risks of material misstatement” was introduced and incorporated significant changes from the previous version of the ISA.

These were introduced to achieve a more rigorous risk identification and assessment process and thereby promote more specificity in the response to the identified risks. The revised ISA was effective for periods commencing on or after **15 December 2021**.

The revised standard expanded on concepts in the existing standards but also introduced new risk assessment process requirements – the changes had a significant impact on our audit methodology and therefore audit approach.

What impact did the revision have on audited entities?

With the changes in the environment, including financial reporting frameworks becoming more complex, technology being used to a greater extent and entities (and their governance structures) becoming more complicated, standard setters recognised that audits need to have a more robust and comprehensive risk identification and assessment mechanism.

The changes result in additional audit awareness and therefore clear and impactful communication to those charged with governance in relation to (i) promoting consistency in effective risk identification and assessment, (ii) modernising the standard by increasing the focus on IT, (iii) enhancing the standard’s scalability through a principle based approach, and (iv) focusing auditor attention on exercising professional scepticism throughout risk assessment procedures.

Implementing year 1 findings into the subsequent audit plan

Entering the second year of the standard, the auditors will have demonstrated, and communicated their enhanced insight into their understanding of your wider control environment, notably within the area of IT.

In year 2 the audit team will apply their enhanced learning and insight into providing a targeted audit approach reflective of the specific scenarios of each entity’s audit.

A key area of focus for the auditor will be understanding how the entity responded to the observations communicated to those charged with governance in the prior period.

Where an entity has responded to those observations a re-evaluation of the control environment will establish if the responses by entity management have been proportionate and successful in their implementation.

Where no response to the observations has been applied by entity, or the auditor deems the remediation has not been effective, the audit team will understand the context and respond with proportionate application of professional scepticism in planning and performance of the subsequent audit procedures.

What will this mean for our on-going audits?

To meet the on-going requirements of the standard, auditors will each year continue to focus on risk assessment process, including the detailed consideration of the IT environment.

Subsequent year auditor observations on whether entity actions to address any control observations are proportionate and have been successfully implemented will represent an on-going audit deliverable.

Each year the impact of the on-going standard on your audit will be dependent on a combination of prior period observations, changes in the entity control environment and developments during the period. This on-going focus is likely to result in the continuation of enhanced risk assessment procedures and appropriate involvement of technical specialists (particularly IT Audit professionals) in our audits which will, in turn, influence auditor remuneration.

ISA (UK) 240 Revised: changes embedded in our practices

Ongoing impact of the revisions to ISA (UK) 240

ISA (UK) 240 (revised May 2021, effective for periods commencing on or after 15 December 2021) The auditor’s responsibilities relating to fraud in an audit of financial statements included revisions introduced to clarify the auditor’s obligations with respect to fraud and enhance the quality of audit work performed in this area. These changes are embedded into our practices and we will continue to maintain an increased focus on applying professional scepticism in our audit approach and to plan and perform the audit in a manner that is not biased towards obtaining evidence that may be corroborative, or towards excluding evidence that may be contradictory.

We will communicate, unless prohibited by law or regulation, with those charged with governance any matters related to fraud that are, in our judgment, relevant to their responsibilities. In doing so, we will consider the matters, if any, to communicate regarding management’s process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud.

Area	Our approach following the revisions
Risk assessment procedures and related activities	<ol style="list-style-type: none"> 1) Increased focus on applying professional scepticism – the key areas affected are: <ul style="list-style-type: none"> • the need for auditors not to bias their approach towards obtaining evidence that is corroborative in nature or excluding contradictory evidence; • remaining alert for indications of inauthenticity in documents and records, and • investigating inconsistent or implausible responses to inquiries performed. 2) Requirements to perform inquiries with individuals at the entity are expanded to include, amongst others, those who deal with allegations of fraud. 3) We will determine whether to involve technical specialists (including forensics) to aid in identifying and responding to risks of material misstatement due to fraud.
Internal discussions and challenge	<p>We will have internal discussions among the audit team to identify and assess the risk of fraud in the audit, including determining the need for additional meetings to consider the findings from earlier stages of the audit and their impact on our assessment of the risk of fraud.</p>

FRC's areas of focus



The FRC released their [Annual Review of Corporate Reporting 2021/22](#) in **October 2022**, along with a [summary of key matters for the coming year](#), primarily targeted at CEOs, CFOs and Audit Committee chairs. In addition, they released six thematic reviews during the year which should be considered when preparing financial reports.

The reports identify where the FRC believes companies should be improving their reporting. Below is a high level summary of the key topics. We encourage management and those charged with governance to read further on those areas which are significant to the entity.



Reporting in uncertain times

Last year's Annual Review of Corporate Reporting from the FRC was prepared in the context of the current heightened economic and geopolitical uncertainty. The challenges of the Covid-19 pandemic, Russia's invasion of Ukraine and slowing of global economies has led to inflationary pressure worldwide and rising interest rates.

This makes meaningful disclosure more important than ever, and the FRC has stressed the need for companies to move beyond simply complying with the minimum requirements of the relevant accounting and reporting frameworks. They expect companies to provide high-quality, decision-useful information for investors, with companies continually assessing evolving risks and ensuring these are clearly explained in annual reports.

The potential effects of uncertainty on recognition, measurement and disclosure are numerous, and companies will need to think carefully about the impacts of uncertainty, in particular inflation, on their reporting. The Annual Review gives a number of examples including:

Strategic report: the impact of inflation on the business model, changes to principal risks and uncertainties, and the impact of inflation on stakeholders.

Discount rates: inputs need to follow a consistent approach in incorporating the effects of inflation.

Material assumptions: where inflation assumptions represent a source of significant estimation uncertainty, the FRC expects companies to provide explanation of how these have been calculated and sensitivity disclosures if appropriate.

Pension schemes: explain the effect of uncertainty on investment strategy and associated risks.



Climate-related reporting

Climate-related reporting has advanced significantly this year as premium listed entities are required by the Listing Rules to provide disclosures consistent with the Taskforce on Climate-Related Disclosures (TCFD) recommendations. This follows the expansion of the Streamlined Energy and Carbon Reporting (SECR) rules last year, which require quoted companies and large unquoted companies and LLPs to provide emissions reporting.

Climate has therefore been an area of ongoing focus for the FRC, with a thematic reviews in both 2021 and 2022 on aspects of climate reporting. From reviews of TCFD disclosures in the year, the FRC has highlighted five areas of improvement for companies to consider going forwards:

Granularity and specificity: disclosures should be granular and specific both to the company and the individual disclosure requirement, including a clear link to financial planning.

Balance: discussion of climate-related risks and opportunities should be balanced, and companies should consider any technological dependencies.

Interlinkage with other narrative disclosures: companies should ensure clear links between TCFD disclosures with other narrative disclosures in the annual report.

Materiality: companies should clearly articulate how they have considered materiality in the context of their TCFD disclosures.

Connectivity between TCFD and financial statements disclosures: the FRC may challenge those that disclose significant climate risks or net zero transition plans in narrative reporting, but do not explain how this is taken into account in the financial statements.

FRC's areas of focus (cont.)

Cash flow statements

This continues to be a particular area of concern as it is a recurring source of errors identified by the FRC, with 15 companies restating their cash flow statements in the review period as a result of the FRC's enquiries.

Companies are encouraged to consider the guidance in the 2020 thematic review on this topic, and to ensure that robust pre-issuance reviews of the financial statements have been undertaken.

Cash flows must be classified as operating, investing or reporting in line with the requirements of the standard, and amounts reported should be consistent with disclosures elsewhere in the report and accounts including the elimination of non-cash transactions.

Several errors identified by the FRC related to the parent company cash flow statement, and it should be ensured that this statement also complies with the requirements of the standard.

Financial Instruments

Companies should ensure that disclosure is sufficient to enable users to evaluate the nature and extent of risks arising from financial instruments and the approach taken to risk management.

These disclosures should include the approach and assumptions used in the measurement of expected credit losses, and details of concentrations of risk. In times of economic uncertainty, disclosure of methods used to measure exposure to risks, and details of hedging arrangements put in place for interest rates or inflation are all the more important.

In addition, accounting policies should be provided for all material financing and hedging arrangements and any changes in these arrangements. Where companies have banking covenants, information about these should be provided (unless the likelihood of a breach is considered remote).

Income taxes

Where material deferred tax assets are recognised by historically loss-making entities, disclosures should explain the nature of the evidence supporting their recognition. In addition, any connected significant accounting judgements or sources of estimation uncertainty will also need to be disclosed.

On tax more generally, the FRC expects companies to ensure that tax-related disclosures are consistent throughout the annual report and accounts, and material reconciling items in the effective tax rate reconciliation are adequately explained.

For groups operating in several jurisdictions, effective tax reconciliations may be more meaningful if they aggregate reconciliations prepared using the domestic rate in each individual jurisdiction, with a weighted average tax rate applied to accounting profit.

Strategic report and other Companies Act 2006 matters

The strategic report needs to articulate the effects of economic and other risks facing companies, including inflation, rising interest rates, supply chain issues and labour relations. Mitigation strategies should be explained, with links, where relevant, to information disclosed elsewhere in the annual report.

Business reviews should discuss significant movements in the balance sheet and cash flow statement, and should not be limited to just an explanation of financial performance in the period.

The FRC has also identified instances of companies not complying with legal requirements around distributions, and companies are reminded of the need to file interim accounts to support distributions in excess of the distributable profits shown in the relevant accounts.

Revenue

Accounting policies should be provided for all significant performance obligations and should address the timing of revenue recognition, the basis for over-time recognition, and the methodology applied.

Inflationary features in contracts with customers and suppliers and the accounting for such clauses are under increased focus this year.

Alternative performance measures ('APMs')

APMs should not be presented with more prominence, emphasis or authority than measures stemming directly from the financial statements, and should be reconciled to the relevant financial statements line item.

FRC's areas of focus (cont.)

Provisions and contingencies

Companies should give clear and specific descriptions of the nature and uncertainties for material provisions or contingent liabilities, the expected timeframe and the basis for estimating the probable or possible outflow.

Inputs used in measuring provisions should be consistent in the approach to incorporating the effects of inflation, and details of related assumptions should be provided if material.

Presentation of financial statements and related disclosures

Material accounting policy information should be clearly disclosed, and additional company-specific disclosures should be provided when compliance with IFRS requirements is insufficient to adequately explain transactions.

Judgements and estimates

Economic uncertainty increases the likelihood of companies needing to make significant judgements when preparing financial statements. The FRC highlights two specific examples – going concern assessments and accounting for inflationary features in contracts – where disclosure is key.

More generally, the FRC highlights the need for disclosures to clearly distinguish between estimates with a significant risk of a material adjustment to the carrying amounts of assets/liabilities within the next year, and other sources of estimation uncertainty.

Significant estimates, and the associated disclosures should be updated at the balance sheet date. Sensitivity disclosures should be meaningful for readers, for example by sensitising the most relevant assumptions, and explaining any changes in assumption since the previous year.

Impairment of assets

Economic uncertainty may have a significant impact on impairment assessments, and this is an area where queries raised from the FRC could have been avoided by clearer disclosure.

Companies need to explain the sensitivity of recoverable amounts to changes in assumptions, especially where the range of possible outcomes has widened. This should include explanation of the effect of economic assumptions, such as reduction in customer demand and increased cost.

Inflation should be treated consistently in value in use calculations. Nominal cash flows are discounted at a nominal rate, and real cash flows are discounted at a real rate.

Lastly, the FRC stresses the importance of consistency between impairment reviews/disclosures and other disclosures in the annual report.

Thematic reviews

The FRC released six thematic reviews on corporate reporting last year, and companies are encouraged to consider the guidance in those reviews, where relevant, to enhance their financial reporting. The topics covered are:

- [TCFD disclosures and climate in the financial statements](#)
- [Judgements and estimates](#)
- [IFRS 3 Business Combinations](#)
- [Discount rates](#)
- [Deferred Tax Assets \(IAS 12\)](#)
- [Earnings per Share \(IAS 33\)](#)


2022/23 review priorities

The FRC has indicated that its 2022/23 reviews will focus on the extent to which companies' disclosures address risks and uncertainty in the challenging economic environment, including those relating to climate change. Companies need to clearly articulate the impact of these risks on their strategy, business model and viability. In particular, the FRC intends to prioritise reviews of companies operating in the following sectors:

 Travel, hospitality and leisure

 Construction materials

 Retail

 Gas, water and multi-utilities



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Agenda Item 6

Part I

Main author: Richard Baker

Executive Member: Cllr Kieran Thorpe

WELWYN HATFIELD BOROUGH COUNCIL
AUDIT COMMITTEE – 5 SEPTEMBER 2024
REPORT OF THE EXECUTIVE DIRECTOR (FINANCE & TRANSFORMATION)

RISK MANAGEMENT – QUARTER 1 RISK REGISTERS 2024/25

1 Executive Summary

- 1.1 This report presents to the Audit Committee, the current identified strategic risks facing the Council, and those operational risks assessed as having a residual risk level of serious or severe (those with a score of 10 or more) as previously presented to Cabinet. The report is an assessment of risk as at 30 June 2024.
- 1.2 The council captures and reports on both the inherent risk (before control measures are in place) and the residual risk (after control measures are put in place). This allows members to understand how the control measures in place impact on the risk, and whether the residual risk is at an acceptable level, or whether more should be done to reduce the risk.
- 1.3 This report presents the risks under this framework. Narrative is provided by the risk manager, and is shown against each risk individually.

2 Recommendation

2.1 The committee are asked to:

- note the attached risk registers at quarter 3;
- note comments and actions in respect of the strategic and serious/severe operational risks; and,
- make recommendations to Cabinet or Council in relation the management of risk

3 Explanation

- 3.1 The risk framework sets out that all strategic risks will be reported to members on a quarterly basis. Operational risks are reported where the residual risk is considered to be serious or severe.
- 3.2 The level of risk is assessed based on the likelihood of the risk occurring, and the impact if the risk were to occur. Based on the assessment of these two factors, an overall score is determined, and a risk category assigned:

Risk Level	Acceptable	Manageable	Serious	Severe
Score	0-3	4-9	10-14	15-25

- 3.3 The strategic risks are contained in Appendix A. The operational risks with a residual assessment of serious or severe, are contained in Appendix B.
- 3.4 The tables below, summarise the number of strategic and operational risks, based on residual risk score.

Strategic




Probability	5	0	0	0	0	0
	4	0	0	0	1	0
	3	0	0	3	3	3
	2	0	3	6	2	4
	1	0	0	0	0	0
		1	2	3	4	5
		Impact				

Operational

Probability	5	1	0	0	2	0
	4	3	4	1	1	1
	3	3	6	12	2	3
	2	6	15	20	3	5
	1	3	6	7	5	4
		1	2	3	4	5
		Impact				

- 3.5 Contained within the appendices, is a comparison of how each individual risk to the previous reporting period. This will assist members with identifying how a risk may have increased or decreased between periods, and narrative will be provided to assist in understanding what has led to this change in assessment.
- 3.6 The following traffic light system applies to each of the comparisons to the previous inherent and residual score elements: probability; impact; and, total score.

Residual risk direction	Decreased	Same as previous	Increased
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	assessment	period	assessment
Indicator			

3.7 Additional information is also shown in the appendices, such as the date the risk was last updated, to provide assurance to members that risks are regularly reviewed, and comparison to the previous residual risk scores to demonstrate how risks have changed between periods.

4 Legal Implications

4.1 The Accounts and Audit Regulations 2015 require that “[a] relevant authority must ensure that it has a sound system of internal control which [among other matters] includes effective arrangements for the management of risk.”

4.2 Failure to adequately manage risk may lead to consequences of legal challenge, which will be outlined in risk descriptions.

5 Financial Implications

5.1 There are none directly arising from this report. Any risk event may have its own financial consequences, which will be highlighted in the risk description, and controls in place may have financial implications.

6 Risk Management Implications

6.1 Failing to maintain adequate and effective arrangements for the management of risk may lead to risk events not being foreseen, an inadequate response to a risk event occurring and a failure to exploit opportunities.

7 Security and Terrorism Implications

7.1 There are none directly arising from this report, though of course any risk event may have security and terrorism implications.

8 Procurement Implications

8.1 There are none directly arising from this report, though of course any risk event may have procurement implications.

9 Climate Change Implications

9.1 There are none directly arising from this report, though of course any risk event may have climate change implications.

10 Health and Wellbeing Implications

10.1 There are none directly arising from this report, though of course any risk event may have health and safety implications.

11 Communication and Engagement Implications

11.1 There are none directly arising from this report, though of course any risk event may have communication and engagement implications.

12 Link to Corporate Priorities

12.1 The subject of this report supports all council priorities in that the effective management of risk is essential to the achievement of objectives.

13 Equality and Diversity

13.1 An Equality Impact Assessment (EIA) has not been carried out in connection with the proposals that are set out in this report as it relates purely to monitoring information.

Name of Author: Richard Baker

Title: Executive Director (Finance and Transformation)

Date: 23 July 2024

Associated documents:

Risk Policy and Strategy: <https://democracy.welhat.gov.uk/documents/s20219/8%20-%20Risk%20Management%20Policy%20and%20Strategy.pdf>

Risk Framework: <https://democracy.welhat.gov.uk/documents/s20220/8%20-%20Risk%20Management%20Framework.pdf>

Appendices:

Appendix A – Strategic Risk Register

Appendix B – Operational Risk Register (serious and severe)

Risk: Recognising and responding to current and future technology needs	Risk Manager: Assistant Director (ICT and Digital)	Last updated: 08 July 2024	
Description of risk: Failure to recognise and respond to the Council's technology needs will impair service delivery and preserve or introduce inefficient processes. This will lead to a poorer service for customers, ineffective investment of time, money and effort with additional costs for the Council in the short and long term. It is also likely to cause reputational damage.	Controls: End User Services contract Use of specialist contractors Transformation Programme Technology Design Principles ICT Strategy Staff engagement	Risk Manager Commentary: The ICT Service works closely with Services within the Council to understand priorities and to respond rapidly to changing needs. Much of the Service has been brought in-house, allowing for closer working, cooperation and informed support for other teams. ICT & Digital forms a core part of the Transformation Programme, designed to deliver technology meeting the Council's current and future business needs. The Web Development and Intranet team have transferred to the ICT & Digital Service to ensure the most productive fit. ICT Management regularly meet with suppliers to understand opportunities for advances and efficiencies presented by new technologies.	
Inherent Probability: 4	Inherent Impact: 4		Inherent Score: 16
Residual Probability: 2	Residual Impact: 2		Residual Score: 4
Previous Inherent Probability: 4	<input type="radio"/> Previous Inherent Impact: 4	<input type="radio"/> Previous Inherent Score: 16	<input type="radio"/>
Previous Residual Probability: 2	<input type="radio"/> Previous Residual Impact: 2	<input type="radio"/> Previous Residual Score: 4	<input type="radio"/>





Risk: Cultural change (Transformation)		Risk Manager: Executive Director (Finance and Transformation)		Last updated: 08 July 2024	
Description of risk: It is crucial that staff, the public and members buy into change programmes, to ensure delivery of the Transformation strategy and vision. Failure in this area could lead to financial implications and reputational damage.		Controls: Communications Plan Engagement activity Transformation Strategy and Action Plan Transformation Board and wider Governance Project Management Framework		Risk Manager Commentary: The transformation board meets on a regular basis to oversee key change projects, and considers staff and member communication as part of this. Staff engagement in change is considered on a project by project basis. Work continues on embedding the CORE values into the day to day performance management framework for staff, this is in the final stages and unions are currently being consulted on the proposed framework. New corporate priorities have been agreed, and the annual business plan targets will be presented alongside the budget. A report on progress against the strategy was presented to Cabinet in January and key areas of work for the 24/25 programme have been reviewed and agreed by the board. A new learning and development framework is in development, to ensure staff have access to the training and development to excel in their roles.	
Inherent Probability: 5		Inherent Impact: 4		Inherent Score: 20	
Residual Probability: 2		Residual Impact: 3		Residual Score: 6	
Previous Inherent Probability: 5		● Previous Inherent Impact: 4		● Previous Inherent Score: 20	
Previous Residual Probability: 2		● Previous Residual Impact: 3		● Previous Residual Score: 6	

Risk: Recruitment, Retention and Organisational Development		Risk Manager: Human Resources and Organisational Development Manager		Last updated: 05 July 2024	
Description of risk: Issues with recruitment, sickness, staff development and retention within the team may impact on the ability to deliver council services. The consequences of this may mean the council is unable to delivery statutory services, or fail to deliver its corporate plan and annual action plans. The impacts of these would be far reaching and would likely include legal, financial and reputational impacts.		Controls: HR Policies and Procedures Use of agency staff Use of specialist contractors Agency Worker Framework Training and Development Recruitment and Retention Policies and Procedures Learning from exit interviews and staff surveys Regular management monitoring of workforce data Learning Management System and Training Plans		Risk Manager Commentary: Recruitment activity continues to be high. We are able to appointment to most roles. Sickness absence has started to drop. We are currently promoting the new respect at work policy. We continue to develop our careers website to attract candidates to our roles; we have added a video to promote an apprenticeship vacancy.	
Inherent Probability: 4		Inherent Impact: 4		Inherent Score: 16	
Residual Probability: 2		Residual Impact: 3		Residual Score: 6	
Previous Inherent Probability: 4		● Previous Inherent Impact: 4		● Previous Inherent Score: 16	
Previous Residual Probability: 2		● Previous Residual Impact: 3		● Previous Residual Score: 6	

Risk: Employment legislation	Risk Manager: Human Resources and Organisational Development Manager	Last updated: 05 July 2024
Description of risk: Failure to follow policies and best practice could lead to employment tribunal claims, which if found against the council, would have reputational, financial and legal impacts.	Controls: HR polices and procedures Management training and briefing sessions Legislation HR Training and development Management oversight Insurance Learning from previous cases Professional legal advice and support HR Networks and national guidance	Risk Manager Commentary: Briefing sessions are held when there are changes to policies & procedures to keep managers up to date with best practice and legislative changes. HR Advisors are now aligned to Directorates, enabling closer working relationships with managers & HR. We are implementing a new performance framework and development a new learning & development framework.
Inherent Probability: 5	Inherent Impact: 4	Inherent Score: 20
Residual Probability: 2	Residual Impact: 3	Residual Score: 6
Previous Inherent Probability: 5	<input type="radio"/> Previous Inherent Impact: 4	<input type="radio"/> Previous Inherent Score: 20
Previous Residual Probability: 2	<input type="radio"/> Previous Residual Impact: 3	<input type="radio"/> Previous Residual Score: 6

Risk: Equalities and Safeguarding	Risk Manager: Human Resources and Organisational Development Manager	Last updated: 05 July 2024
Description of risk: Failure to comply with equalities and safeguarding legislation & best practice could lead to challenges to council decisions as a service provider, employer and in the procurement of products and services. This in turn could have severe financial, legal and reputational implications.	Controls: HR policies and procedures Equality and Diversity Strategy Equality and Diversity Action Plan Equality, Diversity and Safeguarding Working Group Training and development Safeguarding policies and procedures	Risk Manager Commentary: The EDI action plan has been approved by SLT and delivery will be monitored by the equalities, diversity, inclusion and safeguarding steering group. Equalities Impact Assessments training / refresher training will be held in July
Inherent Probability: 5	Inherent Impact: 5	Inherent Score: 25
Residual Probability: 2	Residual Impact: 5	Residual Score: 10
Previous Inherent Probability: 5	Previous Inherent Impact: 5	Previous Inherent Score: 25
Previous Residual Probability: 2	Previous Residual Impact: 5	Previous Residual Score: 10

Risk: Data Governance		Risk Manager: Executive Director (Finance and Transformation)		Last updated: 08 July 2024	
Description of risk: Failures in data governance across the council could lead to data not being held or correctly managed in line with legislation, including data transparency, data protection, freedom of information and environmental information requirements. Failures could lead to severe financial penalties and reputational damage.		Controls: Data Retention Policy Data Protection Policy and Procedures Information Asset Register Privacy Impact Assessment Procedures Freedom of Information Processes Data Transparency Processes Reuse of data policy and procedures Appeals processes ICT / Cyber controls Corporate Governance Group		Risk Manager Commentary: The council has a number of policies and procedures in relation to the protection and control of data. Training was rolled out in the quarter 3 2023/24 and around 95% of all staff have completed the training. Processes are being reviewed for those staff that do not access IT as part of their role. Refresher training is planned for later this financial year using e-learning modules. There have been no reportable breaches in the quarter	
Inherent Probability: 5		Inherent Impact: 5		Inherent Score: 25	
Residual Probability: 2		Residual Impact: 5		Residual Score: 10	
Previous Inherent Probability: 5		Previous Inherent Impact: 5		Previous Inherent Score: 25	
Previous Residual Probability: 2		Previous Residual Impact: 5		Previous Residual Score: 10	

Risk: Elections	Risk Manager: Executive Director (Finance and Transformation)		Last updated: 08 July 2024	
Description of risk: New legislation has come into force which will see new requirements, including voter ID. Failure to promote and manage this could lead to reputational damage and legal challenge, in turn possibly leading to financial implications. We have yet to complete larger scale elections (government and county) since this new legislation has been introduced, and further legislative changes are anticipated	Controls: Weekly meetings with returning officer Project plans Staff training and development Understanding and management of risks at operational level Government guidance		Risk Manager Commentary: Weekly meeting are being held in the run up to the May elections to ensure measures are in place for the smooth running of the elections and continued compliance with the legislation that came into force last year. Polling stations are in place and resource requirements for postal votes, polling and the count etc are in place. The elections took place and ran successfully. Since this, a General Election has been announced. Due to the short notice this risk has been increased and management are working closely with the Elections team to ensure key deadlines are met. The risk score reflects the position at the end of June, since this date the elections were held and ran smoothly, and received positive feedback from those present at the count.	
Inherent Probability: 4	Inherent Impact: 4		Inherent Score: 16	
Residual Probability: 3	Residual Impact: 4		Residual Score: 12	
Previous Inherent Probability: 4		Previous Inherent Impact: 4		Previous Inherent Score: 16
Previous Residual Probability: 3		Previous Residual Impact: 4		Previous Residual Score: 12

Risk: Financial Sustainability	Risk Manager: Executive Director (Finance and Transformation)	Last updated: 08 July 2024
<p>Description of risk:</p> <p>The council is in a time of high inflation, with ongoing cuts to government funding forecast for the coming years. It also has restrictions on how much funding can be raised through council tax.</p> <p>The cost of living crisis is likely to have an impact on the ability of residents and businesses in paying debts due to the council, and may impact on the use of discretionary services such as our cultural services, and associated income streams.</p> <p>The reducing capital balances for the general fund puts means the council will become more reliant on borrowing, and interest rate rises will increase the revenue cost to deliver capital schemes. Identification of long term efficiency plans, and sound financial controls, will be crucial to ensure the medium and long term sustainability of the council.</p>	<p>Controls:</p> <p>Income monitoring and trend analysis Medium Term Financial Strategy Debt policy and procedures/Debt monitoring Budget Setting Process Financial Regulations Minimum Reserve Policy Minimum Revenue Provision Policy Budget Monitoring and Reporting Transformation Programme Treasury Management Strategy Internal Audit/External Audit Fraud Prevention</p>	<p>Risk Manager Commentary:</p> <p>The financial outturn was favourable, with overspends being mainly offset with increased investment income receipts. The favourable variances that occurred during 2023/24, put the council in a stronger starting position with its reserves for 2024/25. The quarter 1 outturn forecasts will be presented to Cabinet at the same meeting as the risk registers.</p> <p>The budget was approved at Council in February, which proposed minimal use of general reserves. The medium term forecasts were updated as part of this, and a reserves strategy included to reduce overall balances to smooth the financial challenges in the years ahead.</p> <p>Treasury controls have been maintained and prudential indicators have not been breached.</p> <p>Due to a balanced budget being approved, the residual probability was decreased slightly at Q3 2023/24, but remains high overall due to the challenges in future years and will be kept under review as we approach the next budget setting period. The MTFS will be next reviewed over the summer. Since quarter end, a new government has been elected. Financial forecasts will be updated once more information is known.</p>
Inherent Probability: 5	Inherent Impact: 5	Inherent Score: 25
Residual Probability: 3	Residual Impact: 5	Residual Score: 15
Previous Inherent Probability: 5	○ Previous Inherent Impact: 5	○ Previous Inherent Score: 25 ○
Previous Residual Probability: 3	○ Previous Residual Impact: 5	○ Previous Residual Score: 15 ○





Risk: Service Standards	Risk Manager: Assistant Director (Customer and	Last updated: 04 July 2024	
Description of risk: Failure to adequately identify key performance statistics, complaints and data could lead to a failure in oversight of service provision, leading to a failure to quickly identify and remedy failures in service provision. This could have wide ranging legal, financial and reputational consequences. Not responding to complaints in line with Policy, Procedure and Complaint Handling Code leading to a complaint handling failure. This could have legal and reputational risks to the council.	Controls: Annual Business Plan Regular review of operational key performance indicators Performance Management Framework Digital collection and reporting of performance Management and Member reporting Complaint handling policy, procedures and use of templates Dispute resolution training Annual complaint assessment Management reporting Member reporting Persistent and Vexatious Policy and Procedure Monitoring and reporting of ombudsman complaints	Risk Manager Commentary: Overall performance is being monitored and reported on a monthly basis to SLT/SMT, with trends and exceptions highlighted. Complaints monitored and reported to relevant officers on a weekly basis. A new Complaints Insight Officer is now in post to support teams with improved complaints compliance and a complaints resolution officer is now working in the repairs team. Officer have recently undertaken a self-assessment against the Housing Ombudsman's Complaint Handling Code and an action plan is now in place, with updates to the Council's Complaints Policy to be considered by Cabinet in August 2024.	
Inherent Probability: 4	Inherent Impact: 4	Inherent Score: 16	
Residual Probability: 3	Residual Impact: 3	Residual Score: 9	
Previous Inherent Probability: 4	<input type="radio"/> Previous Inherent Impact: 4	<input type="radio"/> Previous Inherent Score: 16	<input type="radio"/>
Previous Residual Probability: 3	<input type="radio"/> Previous Residual Impact: 3	<input type="radio"/> Previous Residual Score: 9	<input type="radio"/>

Risk: Fraud and Corruption		Risk Manager: Executive Director (Finance and Transformation)		Last updated: 08 July 2024	
Description of risk: The council, as a public body, is at risk of fraud and corruption, particularly in relation to housing benefit, council tax support and housing tenancies. Whilst these are not the only areas of potential fraud, these are key services which fraud is commonly attempted. Fraud against the council will lead to financial implications, reputational damage if left uncovered, and may lead to residents not obtaining services required.		Controls: Fraud and corruption policies and procedures Shared anti Fraud Service Fraud reporting hotline and online forms National fraud initiative Hertfordshire Fraud-Hub Hertfordshire fraud hub		Risk Manager Commentary: The council joined the shared anti-fraud service from 1 April 2023. A refresh of policies is complete and these were approved by Audit Committee during quarter 1. Teams are now reviewing their operational procedures and SAFS are working with them to ensure that fraud referrals and checks are built into processes at the right stages. An internal audit has been underway on the approach to anti-fraud during quarter 4, and the results were issued in April - This received substantial assurance with only one low priority recommendation. The annual SAFS report was presented to Audit Committee in quarter 1, along with the Annual Governance Statement.	
Inherent Probability: 5		Inherent Impact: 5		Inherent Score: 25	
Residual Probability: 2		Residual Impact: 4		Residual Score: 8	
Previous Inherent Probability: 5		● Previous Inherent Impact: 5		● Previous Inherent Score: 25	
Previous Residual Probability: 2		● Previous Residual Impact: 4		● Previous Residual Score: 8	

Risk: Cyber Security	Risk Manager: Assistant Director (ICT and Digital)	Last updated: 08 July 2024	
Description of risk: Issues with cyber security, could lead to loss of sensitive and operational data and render systems unuseable, in turn impacting on the Council's ability to deliver key and statutory services. A major incident could lead to extended downtime, which could impact financially, legally and have a significant impact on the Council's reputation.	Controls: Network Architecture Malware detection Data encryption User awareness Disaster recovery plan (e.g. off-site back-up) DR Tests External Alerts (Eg WARP, NCSC and suppliers) Internal Monitoring (e.g. SIEM) Email gateway PSN accreditation Health checks and Penetration tests ICT policies and procedures Staff training (e.g. Phishing Simulation)	Risk Manager Commentary: The council's ICT environment is subject to 3rd-party testing and accreditation as part of Public Sector Network membership, with any vulnerabilities identified and remedied. The council has once more been reaccredited for 2024/2025. The ICT Team employ a strong range of technical preventative and mitigating measures (including firewalls, timely security patching, anti-malware software, etc.). We include Cyber Security as a core consideration in all major infrastructure and application renewal. The council has adopted Security Information & Event Management (SIEM) system, successfully flagging and mitigating cyber attacks in real time, and more recently a 24/7 managed Endpoint Detection & Response service and Incident Response contract to enhance its network security. We have recently introduced multi-factor authentication to protect account security, upgraded firewalls in February 2024 and have blocked access from overseas by default. The council undertakes phishing simulations to maintain high awareness of this risk, which are run quarterly. Staff are required to undertake cyber security awareness training annually with similar training recently provided to members.	
Inherent Probability: 5	Inherent Impact: 5	Inherent Score: 25	
Residual Probability: 4	Residual Impact: 4	Residual Score: 16	
Previous Inherent Probability: 5	● Previous Inherent Impact: 5	● Previous Inherent Score: 25	●
Previous Residual Probability: 4	● Previous Residual Impact: 4	● Previous Residual Score: 16	●

Risk: ICT Continuity	Risk Manager: Assistant Director (ICT and Digital)	Last updated: 08 July 2024
Description of risk: Issues with the Council's core ICT infrastructure (network, data centre, etc.) could lead to major ICT failures, in turn impacting on the Council's ability to deliver key and statutory services. A major incident could lead to extended downtime, which could impact financially, legally and have a significant impact on the Council's reputation.	Controls: Disaster recovery plan (e.g. off-site back-up) Disaster recovery Tests Internal Alerts (e.g. Network & Server Monitoring) Server room controls (cooling, gas suppression systems, UPS, back up generator) Use of cloud-based services ICT policies and procedures Business continuity planning Staff training	Risk Manager Commentary: The Council's data centre includes significant use of resilient technologies, providing failover in the event of hardware failure. ICT manage contractual relationships with core suppliers carefully to minimise the risk of 3rd-party service disruption. Comprehensive back-ups are in place to ensure that systems can be recovered with minimum loss of data. The Council has a contract in place for the provision of Disaster Recovery services, replicating the service provided by the in-house data centre and we continue to assess and move towards Software as a Service Cloud technology where appropriate. Long-term back-up and DR arrangements using cloud-based technologies (likely to be for implementation in 2025) are being pursued, which would provide protected back-ups and see a much reduced Recovery Time Objective.
Inherent Probability: 4	Inherent Impact: 5	Inherent Score: 20
Residual Probability: 2	Residual Impact: 4	Residual Score: 8
Previous Inherent Probability: 4	<input type="radio"/> Previous Inherent Impact: 5	<input type="radio"/> Previous Inherent Score: 20
Previous Residual Probability: 2	<input type="radio"/> Previous Residual Impact: 4	<input type="radio"/> Previous Residual Score: 8

Risk: Industrial Action		Risk Manager: Human Resources and Organisational Development Manager		Last updated: 17 July 2024	
Description of risk: Industrial action stemming from employment matters, such as the pay award or changes to terms and conditions, can removed resources from our operations. This could have financial, reputational and health and safety implications.		Controls: Business Continuity Plans Emergency Plans Formal engagement with trade unions		Risk Manager Commentary: The employers side have made a final pay award offer for 2024/25. One trade union has balloted and rejected the offer. Since quarter end, another trade union has announced results of their ballot which is to accept the offer. The results of the third union have been announced since the end of the quarter, and they have also rejected the offer. Due to the uncertainty in the area, the risk has been increased.	
Inherent Probability: 3		Inherent Impact: 4		Inherent Score: 12	
Residual Probability: 3		Residual Impact: 3		Residual Score: 9	
Previous Inherent Probability: 3		● Previous Inherent Impact: 4	● Previous Inherent Score: 12	●	
Previous Residual Probability: 2		● Previous Residual Impact: 3	● Previous Residual Score: 6	●	

Risk: Strategic - RSH Regulatory Standards	Risk Manager: Executive Director (Resident Services and Climate Change)	Last updated: 17 July 2024	
Description of risk: Failure to comply with the Regulator of Social Housing's Regulatory standards, including the Social Housing Regulation Bill and Housing Ombudsman's expectations leads to Regulatory intervention and Reputational consequences	Controls: Social Housing White Paper Action plan in place Tenant Survey Measures commenced Training of Members Staff training and development	Risk Manager Commentary: A Strategic Housing Managers group has been established to meet quarterly, to ensure actions are co-ordinated across teams; this complements the operational Housing Mangers meetings that take place. Our self-assessment of compliance with the consumer standards and Social Housing Regulation Act has been completed. Action plan in progress and some tasks already completed. Some managers to commence CIH training also. Good progress - 62 out of the 100 consumer standard items are with completed or in progress. The residual risk score has been lowered as the council has an action plan and governance in place, and a number of key actions have been implemented, to ensure compliance with the standards.	
Inherent Probability: 5	Inherent Impact: 5	Inherent Score: 25	
Residual Probability: 3	Residual Impact: 4	Residual Score: 12	
Previous Inherent Probability: 5	 Previous Inherent Impact: 5	Previous Inherent Score: 25	
Previous Residual Probability: 4	 Previous Residual Impact: 5	Previous Residual Score: 20	

Risk: Planning - SPD masterplans		Risk Manager: Assistant Director (Planning)		Last updated: 04 July 2024	
Description of risk: Failure to deliver aspirations of Local Plan as a consequence of failure to adopt SPD masterplans for strategic sites		Controls: Identification of sufficient resources and skills across the Planning Service to the preparation of masterplans. Early and meaningful engagement with stakeholders and members. Potential external support and expertise to supplement internal resources.		Risk Manager Commentary: Work on Masterplans, where they can be secured, is continuing positively. Work has progressed well with the masterplan for Birchall Garden Suburb (joint with East Herts Council). Community information sharing events were held in July 2023 and the masterplan was endorsed by CPPP and Cabinet in August and September 2023. Work is now well advanced on the North West Hatfield masterplan and the Marshmoor masterplan. Both are being led by Gascoyne Estates, working with WHBC, HCC and stakeholders. Work has also started on the masterplan for land to the west of the railway line at Brookmans Park. The Planning Service has identified a need for specialist advice in some areas and has recently procured specialist Urban Design advice. These costs will be met by the applicant through the agreement of a Planning Performance Agreement.	
Inherent Probability: 3		Inherent Impact: 3		Inherent Score: 9	
Residual Probability: 2		Residual Impact: 2		Residual Score: 4	
Previous Inherent Probability: 3		Previous Inherent Impact: 3		Previous Inherent Score: 9	
Previous Residual Probability: 2		Previous Residual Impact: 2		Previous Residual Score: 4	

Risk: Cost of Living Crisis - Impacts on residents, businesses and local economy		Risk Manager: Assistant Director (Leisure, Community and Cultural Services)		Last updated: 03 July 2024	
Description of risk: Failure to support residents and businesses to deal with the impacts of the cost of living crisis could have a detrimental impact on standard of living and economic prosperity within the Borough		Controls: Identified officers to provide support. Dedicated page on WHBC website to signpost to support. Working closely with agencies such as Citizens Advice. Have supported the establishment of warm space throughout the Borough and supported local food banks to take referrals		Risk Manager Commentary: We have provided community spaces for residents during the winter months and have a monthly cost of living working group ensuring the funding is joined up to support residents more effectively. Support for the food banks is continuing and they have engaged signed up as good causes for our community lottery. Additional funding has been made available to assist and support residents with rent and council tax arrears.	
Inherent Probability: 4		Inherent Impact: 3		Inherent Score: 12	
Residual Probability: 2		Residual Impact: 3		Residual Score: 6	
Previous Inherent Probability: 4		● Previous Inherent Impact: 3		● Previous Inherent Score: 12	
Previous Residual Probability: 2		● Previous Residual Impact: 3		● Previous Residual Score: 6	

Risk: Leisure and Culture - Sustainability		Risk Manager: Assistant Director (Leisure, Community and Cultural Services)		Last updated: 03 July 2024	
Description of risk: Failure to operate leisure and culture facilities in a way which maximises usage through responding to changing demands, increase energy efficiency to limit costs, and plan for replacement of ageing facilities could threaten the provision of facilities throughout the Borough		Controls: Business plans are in place for all leisure and culture assets. Buildings being used in more efficient ways, and commercial opportunities are being explored. Plans are being developed to review the future provision of leisure and culture assets and how ageing buildings will be tackled. Energy efficiency measures have been implemented. Management of GLL contract.		Risk Manager Commentary: Leisure centre operational reviews take place monthly with the operator and any issues are discussed and escalated as required. There is close working between teams to ensure that referrals and members are promoted to the site in multiple ways, e.g. involvement with the healthy hub. Income streams at our cultural assets have been diversified, including the successful trial and expansion of live events.	
Inherent Probability: 4		Inherent Impact: 3		Inherent Score: 12	
Residual Probability: 2		Residual Impact: 3		Residual Score: 6	
Previous Inherent Probability: 4		● Previous Inherent Impact: 3		● Previous Inherent Score: 12	
Previous Residual Probability: 2		● Previous Residual Impact: 3		● Previous Residual Score: 6	

Risk: Council Run Events	Risk Manager: Assistant Director (Leisure, Community and Cultural Services)	Last updated: 03 July 2024	
Description of risk: Failure to run events safely and in an organised manner will risk public safety and fail to realise the benefits that successful events can bring for residents and businesses	Controls: Dedicated corporate group has been established to oversee events and ensure consistency and proper processes are in place. Close liaison with Welwyn Garden City BID to maximise benefits. Secured funding through UKSPF. Established new event review procedures to ensure suitable H&S measures in place on an event-by-event basis.	Risk Manager Commentary: All events are managed within a safe environment and Officers collect the relevant risk documents and ensure event plans are produced and activated. Events are planned with safety as a top priority and lessons from past events are applied to ensure continuous improvement. Positive feedback has been received from a number of events that the Council has held	
Inherent Probability: 4	Inherent Impact: 5	Inherent Score: 20	
Residual Probability: 3	Residual Impact: 3	Residual Score: 9	
Previous Inherent Probability: 4	<input type="radio"/> Previous Inherent Impact: 5	<input type="radio"/> Previous Inherent Score: 20	<input type="radio"/>
Previous Residual Probability: 3	<input type="radio"/> Previous Residual Impact: 3	<input type="radio"/> Previous Residual Score: 9	<input type="radio"/>

Risk: Planning for, and delivering, high quality affordable homes for everyone	Risk Manager: Executive Director (Place)	Last updated: 03 July 2024	
Description of risk: Failure to co-ordinate the delivery of new homes of all tenures and types could lead to a lack of availability of homes, increased prices and increased homelessness.	Controls: Planning, Housing Development and Housing Needs co-located in Place directorate to ensure co-ordinated strategic approach to the provision of new homes. Emerging Local Plan has been progressed, and key allocations have been considered by DMC. New social homes being built by the Council. Well resourced Housing Options and Allocations teams with investment in temporary accommodation.	Risk Manager Commentary: A number of large scale AHP projects have completed in 23/24. Further work is being carried out to prepare for the next phase of projects, with new governance arrangements being put in place. The planning team are also engaging positively with developers to negotiate the optimum housing mix for sites as they come forward, having due regard to individual site viability. The Housing Strategy Manager post is currently vacant and the duties are being covered in a different way. It has been noted across the sector that high build costs are impacting the sector.	
Inherent Probability: 5	Inherent Impact: 5	Inherent Score: 25	
Residual Probability: 3	Residual Impact: 5	Residual Score: 15	
Previous Inherent Probability: 5	<input type="radio"/> Previous Inherent Impact: 5	<input type="radio"/> Previous Inherent Score: 25	<input type="radio"/>
Previous Residual Probability: 3	<input type="radio"/> Previous Residual Impact: 5	<input type="radio"/> Previous Residual Score: 15	<input type="radio"/>

Risk: Strategic - Management of Council Owned Housing Property Assets		Risk Manager: Assistant Director (Homes and Neighbourhoods)		Last updated: 17 July 2024	
Description of risk: Failure to maintain and invest in Council Housing Assets adequately leads to Regulatory, Reputational and Financial consequences		Controls: Capital Investment Programme in place Stock Condition Survey underway Asset Grading Model Regular financial modelling and costings Recruitment of professional staff Training and development, Contractors and Consultants appointed, Wave 2 funding		Risk Manager Commentary: Significant investment programmes for council housing stock agreed including planned works, major works, cyclical decorations New AD (Homes and Neighbourhoods) started 20 May 2024. Stock condition surveys are due to be completed by the end of Summer, which will help inform maintenance needed. New Asset Data Manager starting 22 July.	
Inherent Probability: 5		Inherent Impact: 5		Inherent Score: 25	
Residual Probability: 3		Residual Impact: 5		Residual Score: 15	
Previous Inherent Probability: 5		● Previous Inherent Impact: 5	●	Previous Inherent Score: 25	●
Previous Residual Probability: 3		● Previous Residual Impact: 5	●	Previous Residual Score: 15	●

Risk: Strategic - Management of Council Owned Non-Housing Property Assets		Risk Manager: Service Manager (Building Repairs and Climate Change)		Last updated: 17 July 2024	
Description of risk: Failure to maintain and invest in Non-Housing property assets adequately leads to Regulatory, Reputational and Financial consequences		Controls: Capital Investment Programme in place Decarbonisation Funding Asset Management Plan Regular financial modelling and costings Recruitment of professional staff Training and development, Contractors and Consultants appointed		Risk Manager Commentary: All general fund properties are maintained through the use of multi specialist contracts and frameworks which are overseen by the Building Services team. These contract cover all statutory requirements as well as planned and responsive maintenance. Contractors and consultants used on contracts are subject to stringent procurement rules where "Quality" is deemed to be an important factor in award. Regular contractor meetings are held to ensure this quality standard is constantly achieved. Works are completed as part of the ongoing planned works programmes following on from the most recent condition surveys, these important works are budgeted for during regular financial monitoring meetings with the Service lead. Capital investment bids made as needed. Budgets in place for works and investment needed,	
Inherent Probability: 5		Inherent Impact: 5		Inherent Score: 25	
Residual Probability: 2		Residual Impact: 5		Residual Score: 10	
Previous Inherent Probability: 5		Previous Inherent Impact: 5		Previous Inherent Score: 25	
Previous Residual Probability: 2		Previous Residual Impact: 5		Previous Residual Score: 10	

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Risk: Failure to be prepared for the impacts of climate change		Risk Manager: Assistant Director (Public Realm)		Last updated: 08 July 2024	
Description of risk: In the event of predicted impacts of climate change (UKCP 18) projections for 2030 and 2050, there is an increased risk that WHBC will not be sufficiently prepared for the consequences of; wetter and warmer winters with greater potential for extreme rainfall events; drier and hotter summers with greater potential for heatwaves; and increased frequency of extreme climatic induced events, such as intense storms, wildfires and droughts. This may lead to deterioration of key infrastructure and assets, limited access to key services by vulnerable residents, an increased demand/pressure on many services, associated community-wide consequences, increasing and significant financial challenges, service disruption and/or a lack of service delivery/effectiveness, deterioration of public health, possible injury/loss of life, ecological and environmental impacts and associated reputational damage to WHBC		Controls: Climate Change Strategy Climate Change Action Plan Climate Change Member Board Carry out individual project risk assessments (developing project risk register) Ensure all directorates update Business Continuity Plans to reflect climate change risks identified Ensure communications team communicate extreme weather event guidance to staff and residents with an extreme weather event alert system Continue to implement our CAP to try to limit impacts of climate change and more broadly influence national and international action to reduce the drivers of the climate crisis		Risk Manager Commentary: Since the arrival of the Climate Change Officer in Summer 2023, there has been a refreshed focus in the Council's work on Climate Change. Work delivered to date includes a complete refresh of the Climate change strategy and action plan, launched the climate change hub for the community, carried out a resident survey in the climate change area as well as delivered a range of community events. Going forward in 24/25, a series of events has been planned for the Great Big Green week 8-15 June. A new Climate Biodiversity Cabinet Panel will also be meeting to inform Cabinet on issues relating to Climate Change. Climate action plan updated and new transition to net zero strategy to be approved.	
Inherent Probability: 4		Inherent Impact: 4		Inherent Score: 16	
Residual Probability: 3		Residual Impact: 4		Residual Score: 12	
Previous Inherent Probability: 4		● Previous Inherent Impact: 4		● Previous Inherent Score: 16	
Previous Residual Probability: 3		● Previous Residual Impact: 4		● Previous Residual Score: 12	

Risk: Corporate Health and Safety		Risk Manager: Executive Director (Resident Services and Climate Change)		Last updated: 08 July 2024	
Description of risk: Failure to maintain an adequate and effective health and safety management system, including building safety leads to harm to the public and/or colleagues resulting in Regulatory, Legal and Reputational consequences. This risk covers a broad range of H&S matters including (not limited to) lone working, grey fleet management, building compliance and updates to legislation.		Controls: Corporate Health and Safety Manager Health and Safety Policy and Procedures Building Safety Policy and Procedures Operational Health and Safety Board Metrics including Building Safety (reported to CHP and Cabinet) Staff training and Development H&S digital systems (eg Grey Fleet) Lone working devices, policies, procedures and training		Risk Manager Commentary: Policies and procedures are undergoing a schedule of review; the key prioritised policies have been completed. The Operational Health and Safety Board is meeting Monthly reviewing health and safety performance and reporting into the Corporate Governance Group. Vacant Health and Safety officer now recruited to and joining 15 July 2024.	
Inherent Probability: 5		Inherent Impact: 5		Inherent Score: 25	
Residual Probability: 2		Residual Impact: 5		Residual Score: 10	
Previous Inherent Probability: 5		● Previous Inherent Impact: 5	●	Previous Inherent Score: 25	
Previous Residual Probability: 2		● Previous Residual Impact: 5	●	Previous Residual Score: 10	

Risk: Resilience and Business Continuity		Risk Manager: Assistant Director (Public Realm)		Last updated: 17 July 2024	
Description of risk: Not having emergency plans and arrangements in place to comply with the Civil Contingency Act. Failing to meet those requirements and respond adequately in an emergency. Failure to have business continuity plans in place to recover from service disruption. Financial and reputational risk.		Controls: Health and Safety and Resilience Manager to provide advice and plans Emergency plans and contact details Arrangements to respond (eg Gold and Bronze officers) who are trained Part of Herts CC Resilience Forum Contract monitoring to identify potential contractor failure and business continuity plans		Risk Manager Commentary: Emergency Plan and Reception Centre Plan has been revised and approved by SLT. Silver level training took place in Feb 24. Silver training taking place in Aug & September for 2 new ADs. Exercising of plan to be undertaken in Autumn 2024. The plans and approach have been fully reviewed with training provided and clear rotas in place. Based on this the risk score has now been lowered.	
Inherent Probability: 4		Inherent Impact: 4		Inherent Score: 16	
Residual Probability: 2		Residual Impact: 2		Residual Score: 4	
Previous Inherent Probability: 4		Previous Inherent Impact: 4		Previous Inherent Score: 16	
Previous Residual Probability: 3		Previous Residual Impact: 3		Previous Residual Score: 9	

Risk: New Government's new Resources and Waste Strategy		Risk Manager: Assistant Director (Public Realm)		Last updated: 17 July 2024	
Description of risk: There are draft proposals regarding waste producer responsibility and collection of waste/recyclables, garden waste but the details are not yet known. There are potential Implications for Councils in terms of the collection operation of waste and recycling and additional costs.		Controls: Monitoring the proposals. Monitored closely and information shared in the Hertfordshire waste strategic and operational partnerships Project plan for implementation of food waste recycling at flats.		Risk Manager Commentary: Proposal for food waste and dry recycling from all properties to be introduced from March 2026. Govn funding provided for food waste to flats implementation which will be progressed during 2024/25 . The Producer Responsibility duties requirements are still being considered by the Government and likely not to be decided until 2025.	
Inherent Probability: 4		Inherent Impact: 3		Inherent Score: 12	
Residual Probability: 2		Residual Impact: 3		Residual Score: 6	
Previous Inherent Probability: 4		○ Previous Inherent Impact: 3		○ Previous Inherent Score: 12	
Previous Residual Probability: 2		○ Previous Residual Impact: 3		○ Previous Residual Score: 6	

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Risk: Failure in procurement compliance		Risk Manager: Procurement Manager		Last updated: 08 July 2024	
Description of risk: Compliance with Internal and External Rules and Regulations		Controls: Contract Procedure Rules Procurement Strategy Public Contracts Regulations 2015 Training and briefings Compliance checks including regular review on expenditure Procurement checklists		Risk Manager Commentary: A recent audit of spend against the contracts register has shown very little non compliant spend. The procurement manager is working with the services managers on exceptions. No change as of July 2024	
Inherent Probability: 4		Inherent Impact: 5		Inherent Score: 20	
Residual Probability: 2		Residual Impact: 5		Residual Score: 10	
Previous Inherent Probability: 4		● Previous Inherent Impact: 5		● Previous Inherent Score: 20 ●	
Previous Residual Probability: 2		● Previous Residual Impact: 5		● Previous Residual Score: 10 ●	

Risk: Supplier failure (Financial)		Risk Manager: Procurement Manager		Last updated: 08 July 2024	
Description of risk: If a supplier faces financial challenges it may lead the supplier into administration or liquidation, which in turn could lead to severe disruption to the delivery of services, along with financial and reputational consequences		Controls: Financial checks as part of supplier selection process Ongoing monitoring of suppliers on Credit Safe system Business continuity plans		Risk Manager Commentary: All our major contracts are monitored through a credit agency and a risk rating is applied. Currently 49 companies are being monitored. 47 are low risk and 2 are moderate risk, These 2 are being monitored closely.	
Inherent Probability: 4		Inherent Impact: 5		Inherent Score: 20	
Residual Probability: 3		Residual Impact: 4		Residual Score: 12	
Previous Inherent Probability: 4		● Previous Inherent Impact: 5		● Previous Inherent Score: 20	
Previous Residual Probability: 3		● Previous Residual Impact: 4		● Previous Residual Score: 12	

Risk: Collection Risks (Council Tax and Business		Risk Manager: Service Manager (Revenues, Benefits and Fraud)		Last updated: 01 July 2024	
Description of risk: Failure to maintain collection rates for council tax and business rates would have an impact on the council's finances, along with other preceptors which may lead to reputational risks also.		Controls: Experienced service delivery partners Contract monitoring. Stringent monitoring with a recent dip in collection. Collection policies and procedures Collections legislation Use of legal action and enforcement agents Benchmarking and regular performance monitoring Fees and penalties used as appropriate		Risk Manager Commentary: A static debt review is commencing shortly with the new service provider. Performance is generally improving following the pandemic. However, it is still behind target and it will take time before we get back to pre Covid levels.	
Inherent Probability: 4		Inherent Impact: 4		Inherent Score: 16	
Residual Probability: 3		Residual Impact: 4		Residual Score: 12	
Previous Inherent Probability: 4		● Previous Inherent Impact: 4		● Previous Inherent Score: 16	
Previous Residual Probability: 3		● Previous Residual Impact: 4		● Previous Residual Score: 12	

Risk: Savings Delivery		Risk Manager: Executive Director (Finance and Transformation)		Last updated: 08 July 2024	
Description of risk: Failure to deliver the savings targets set as part of the budget could have financial implications for the council. Delays to implementation may have an impact for 2024/25, but failure to implement or achieve altogether could add to the medium term pressures for the council.		Controls: Budget monitoring processes Monthly reporting to management Quarterly reporting to members Project plans		Risk Manager Commentary: Monthly monitoring is in place. There are some early indications that some of the savings may not be fully delivered, as have not started from 1 April 2024. These will be looked by budget managers in detail as part of the quarter 1 monitoring process, which will be presented to Cabinet alongside the quarter 1 risk registers.	
Inherent Probability: 5		Inherent Impact: 4		Inherent Score: 20	
Residual Probability: 4		Residual Impact: 3		Residual Score: 12	
Previous Inherent Probability: 5		● Previous Inherent Impact: 4		● Previous Inherent Score: 20	
Previous Residual Probability: 4		● Previous Residual Impact: 3		● Previous Residual Score: 12	

Risk: Recruitment and Retention (Regeneration & Economic Development)	Risk Manager: Assistant Director (Regeneration and Economic Development)	Last updated: 12 July 2024	
Description of risk: Issues with recruitment and retention within the regeneration and economic development services may impact on the ability to deliver council services.	Controls: Use of agency staff Use of specialist contractors Agency Worker Framework Training and Development Recruitment and Retention Policies and Procedures	Risk Manager Commentary: Council's across the country continue to experience challenges relating to professional surveying and estates roles. We have recruited a new Regeneration and Housing Development Service Manager post, to combine the knowledge of these two teams and create additional resilience. Further work is being done to review roles in the Estates team due to existing vacancies, which includes the Service Manager and Senior Surveyor, with a view to increasing recruitment options, which has included recruiting one member of agency staff. In the interim, some work is being prioritised to support the delivery of corporate objectives	
Inherent Probability: 5	Inherent Impact: 4	Inherent Score: 20	
Residual Probability: 5	Residual Impact: 4	Residual Score: 20	
Previous Inherent Probability: 5	<input type="radio"/> Previous Inherent Impact: 4	<input type="radio"/> Previous Inherent Score: 20	<input type="radio"/>
Previous Residual Probability: 5	<input type="radio"/> Previous Residual Impact: 4	<input type="radio"/> Previous Residual Score: 20	<input type="radio"/>

Risk: Legal Challenge to Planning decisions	Risk Manager: Assistant Director (Planning)	Last updated: 04 July 2024	
Description of risk: Successful planning appeals and/or legal challenge against a planning decision can lead to costs awarded against the council, along with potential reputational damage.	Controls: Decision making structure requires applications to be checked before determination. Officers are encouraged to discuss more complex applications with senior managers. Officers in the planning service aim to behave reasonably in order to minimise risk of costs awards against the Council. Other measures include: Application checking processes and procedures Complex cases reviewed by managers Officers in the planning service aim to behave reasonably in order to minimise risk of costs awards against the Council. Member training Constitution and Governance Procedures In terms of DMC decisions, members are always warned of the risk attached to their decision, particularly if this goes against the advice of officers	Risk Manager Commentary: This risk continues to be monitored as more complex applications are determined. The level of challenge to the Council, both prior and post decision, continues to increase and therefore legal advice is required more frequently to try and mitigate the risk of further JR. There has been a JR to the adoption of the local plan; the Council and DLUHC successfully defended the challenge in the High Court. Officers continue to take a precautionary approach to the most complex applications and, where necessary, will take specific legal advice before an application is determined.	
Inherent Probability: 5	Inherent Impact: 5	Inherent Score: 25	
Residual Probability: 3	Residual Impact: 5	Residual Score: 15	
Previous Inherent Probability: 5	<input type="radio"/> Previous Inherent Impact: 5	<input type="radio"/> Previous Inherent Score: 25	<input type="radio"/>
Previous Residual Probability: 3	<input type="radio"/> Previous Residual Impact: 5	<input type="radio"/> Previous Residual Score: 15	<input type="radio"/>

Risk: Planning - Building Control		Risk Manager: Assistant Director (Planning)		Last updated: 04 July 2024	
Description of risk: The identified risk is that HBC is unable to provide the statutory building control service to the Council at any point in time.		Controls: The Council's statutory building control functions are now delivered by appropriately qualified members of the Herts Building Control team, who are seconded to the Council when undertaking this type of work. HBC has a pool of officers who provide this service, providing resilience to that service.		Risk Manager Commentary: Following the creation of a jointly owned company to provide building control services, the Council's statutory building control functions and responsibilities are delivered by Hertfordshire Building Control Ltd. The company, and the council's contract with it, are managed via shareholder & director joint meetings and secondment of staff from Herts Building Control. The seconded staff, by way of formal agreement, are considered to be working for the Council at the time they are undertaking statutory functions. The remainder of the time they work for the commercial business.	
Inherent Probability: 3		Inherent Impact: 5		Inherent Score: 15	
Residual Probability: 2		Residual Impact: 5		Residual Score: 10	
Previous Inherent Probability: 3		● Previous Inherent Impact: 5		● Previous Inherent Score: 15	
Previous Residual Probability: 2		● Previous Residual Impact: 5		● Previous Residual Score: 10	

Risk: Responsive repairs (Housing)		Risk Manager: Service Manager (Housing Repairs and Building		Last updated: 12 July 2024	
Description of risk: The Council fails to meet its responsive repairs obligations leading to disrepair, non adherence to regulations and expectation set out by the RSH and Housing Ombudsman, leading to financial, legal, health and safety and reputational implications.		Controls: Use of partnering contractor to complete responsive repairs Contractual SLAs Contract Monitoring and KPIS Disrepair Group and Operational damp and mould group in place Councils policy and procedures in relation to responsive repairs Identifying trends through complaints and lessons learned		Risk Manager Commentary: Repairs performance has under performed over the last period and improvement plans are currently being looked at to this performance.	
Inherent Probability: 5		Inherent Impact: 5		Inherent Score: 25	
Residual Probability: 2		Residual Impact: 5		Residual Score: 10	
Previous Inherent Probability: 5		● Previous Inherent Impact: 5		● Previous Inherent Score: 25	
Previous Residual Probability: 2		● Previous Residual Impact: 5		● Previous Residual Score: 10	

Risk: Asset Data		Risk Manager: Service Manager (Building Repairs and Climate Change)		Last updated: 17 July 2024	
Description of risk: Failure to maintain building stock data leads to inaccurate forecasting and poor investment decisions leading to Regulatory, Financial and Reputational consequences		Controls: Savills appointed to complete 100% stock condition survey, Ark competed desk top exercise to develop programmes which are funded in the business plan, new structure includes an Asset Data team		Risk Manager Commentary: Stock conditions surveys commenced in January and due to complete by July. Data being fed through as the programme progresses and repairs/actions raised as required. When all the condition surveys are completed this will inform further maintenance and investment programmes for our buildings. New Asset Data Manager starts on 22/7/24	
Inherent Probability: 5		Inherent Impact: 5		Inherent Score: 25	
Residual Probability: 3		Residual Impact: 5		Residual Score: 15	
Previous Inherent Probability: 5		● Previous Inherent Impact: 5	● Previous Inherent Score: 25	●	
Previous Residual Probability: 3		● Previous Residual Impact: 5	● Previous Residual Score: 15	●	

Risk: Fire Safety		Risk Manager: Service Manager (Housing Repairs and Building		Last updated: 12 July 2024	
Description of risk: Failure to comply with the Fire Safety Regulations and Building Safety Act leads to harm to the public and/or colleagues resulting in Regulatory, legal and Reputational consequences		Controls: Policy's and processes in place and regularly reviewed Regular reporting of compliance to ensure visibility Contractors met on a regular basis to ensure issues are identified Programmes are regularly reviewed and updated to ensure compliance		Risk Manager Commentary: Operational Health and Safety board (OHSB) continues to meet on a regular basis to monitor the actions required to meet the Building Safety Act.	
Inherent Probability: 5		Inherent Impact: 5		Inherent Score: 25	
Residual Probability: 2		Residual Impact: 5		Residual Score: 10	
Previous Inherent Probability: 5		● Previous Inherent Impact: 5		● Previous Inherent Score: 25	
Previous Residual Probability: 2		● Previous Residual Impact: 5		● Previous Residual Score: 10	

Risk: Damp, Mould and Condensation		Risk Manager: Service Manager (Housing Repairs and Building		Last updated: 17 July 2024	
Description of risk: Failure to manage damp and mould cases effectively leads to customer harm resulting in Financial, Legal, Regulatory and Reputational consequences.		Controls: Procedures and monitoring in place to manage all cases Damp and Mould Group in place Regular reporting to Cross Party Group Operational damp and mould group in place Self assessment against the Housing Ombudsman's report underway Inherent defect house types identified Budget created for damp and mould		Risk Manager Commentary: we are currently reviewing the damp and mould policy and procedure to ensure they align with the current government consultation, this includes the damp and mould proposal from Morgan Sindall. An internal audit was completed on the councils response to damp and mould. No high priority recommendations were made, but there were a high number of recommendations. A number of these have already been actions, and the risk score has been increased whilst these actions are finalised.	
Inherent Probability: 4		Inherent Impact: 5		Inherent Score: 20	
Residual Probability: 4		Residual Impact: 5		Residual Score: 20	
Previous Inherent Probability: 4		● Previous Inherent Impact: 5	●	Previous Inherent Score: 20	●
Previous Residual Probability: 3		● Previous Residual Impact: 5	●	Previous Residual Score: 15	●

Risk: Complaints		Risk Manager: Service Manager (Housing Repairs and Building		Last updated: 12 July 2024	
Description of risk: Failure to manage complaints effectively leads to Housing Ombudsman investigations, resulting in Financial, Regulatory and Reputational consequences.		Controls: Complaints System Management reporting Complaints policy and processes Weekly meeting to review complaints		Risk Manager Commentary: Surveyors are now working to cover 5 geographical areas (i.e. patches). Weekly meetings are taking place to ensure complaints are being answered correctly. Work continues in the background to take a proactive approach to address the outstanding complaint cases. We currently have some staff shortages which we are actively recruiting to. A temporary complaints resolution officer has been recruited.	
Inherent Probability: 4		Inherent Impact: 5		Inherent Score: 20	
Residual Probability: 3		Residual Impact: 5		Residual Score: 15	
Previous Inherent Probability: 4		● Previous Inherent Impact: 5		● Previous Inherent Score: 20	
Previous Residual Probability: 3		● Previous Residual Impact: 5		● Previous Residual Score: 15	

Risk: Recruitment and Retention - Homes and Neighbourhoods		Risk Manager: Assistant Director (Homes and Neighbourhoods)		Last updated: 17 July 2024	
Description of risk: Failure to attract and retain competent staff leads to service failure resulting in Regulatory, Legal and Reputational consequences		Controls: Temporary staff being utilised to fill some gaps in the structure Point 13 appointed to help with targeted marketing campaign All posts re-evaluated Fortnightly staff briefings in place Regular recruitment meetings with HR		Risk Manager Commentary: This continues to be a challenging area, especially in light of the significant changes in the Housing industry in the past few years. The new AD(Homes and Neighbourhood) started 20 May 2024 and is working with with service managers and HR to look at ways to improve recruitment in the team. They will also continue to work with contractors to improve the service. Also some new work practices have been introduced, which includes rolling out mobile tablets to workers to ease some of the back office admin burdens to make the roles more attractive.	
Inherent Probability: 5		Inherent Impact: 5		Inherent Score: 25	
Residual Probability: 4		Residual Impact: 4		Residual Score: 16	
Previous Inherent Probability: 5		Previous Inherent Impact: 5		Previous Inherent Score: 25	
Previous Residual Probability: 4		Previous Residual Impact: 4		Previous Residual Score: 16	

Risk: Tree Failure		Risk Manager: Landscape and Ecology Manager		Last updated: 08 July 2024	
Description of risk: Tree Risk of failure of a tree with resultant risk to property or life.		Controls: Trees managed by WHBC are inspected on regular scheduled programmed basis by qualified staff. Any trees requiring any safety works will be given a priority and actioned within budget constraints.		Risk Manager Commentary: Inspections on going and work prioritised as necessary. Cyclical inspections slightly below target for the first quarter of 2024/25, however expected to meet annual target of 33% of trees in each Financial year.	
Inherent Probability: 4		Inherent Impact: 5		Inherent Score: 20	
Residual Probability: 2		Residual Impact: 5		Residual Score: 10	
Previous Inherent Probability: 4		Previous Inherent Impact: 5		Previous Inherent Score: 20	
Previous Residual Probability: 2		Previous Residual Impact: 5		Previous Residual Score: 10	

Risk: Housing Management - Poor void management		Risk Manager: Assistant Director (Homes and Neighbourhoods)		Last updated: 17 July 2024	
Description of risk: Poor void and allocatons management leading to loss of income, increased costs and extended periods of reduced property availability.		Controls: End to end mapped process Housing Management system in place Responsive repairs management Effective contractor management Void management standard Allocations Policy Clear management reporting		Risk Manager Commentary: The average void time is still above target. This is due to a number of factors, including kitchen supplier issues, contractor resources, planned works issues and condition of properties being returned. In addition we have had some problems with the contractor completing their scope of works quickly and then completing the void works within the specified time and to standard. However, there has been a marked improvement and voids being completed satisfactorily. Contractor has invested in more resources for the voids team.	
Inherent Probability: 5		Inherent Impact: 4		Inherent Score: 20	
Residual Probability: 5		Residual Impact: 4		Residual Score: 20	
Previous Inherent Probability: 5		● Previous Inherent Impact: 4		● Previous Inherent Score: 20	
Previous Residual Probability: 4		● Previous Residual Impact: 3		● Previous Residual Score: 12	

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Welwyn Hatfield Borough Council
Audit Committee Progress Report
5 September 2024

Recommendation

Members are recommended to:

- Note the Internal Audit Progress Report for the period to 12 August 2024
- Note the implementation status of internal audit recommendations and the management update.
- Note the Global Internal Audit Standards Briefing Paper.

Contents

- 1 Introduction and Background
 - 1.1 Purpose
 - 1.2 Background

- 2 Audit Plan Update
 - 2.1 Delivery of Audit Plan and Key Findings
 - 2.3 High Priority Recommendations
 - 2.5 Medium Priority Recommendations
 - 2.6 Proposed Amendments
 - 2.7 Performance Management
 - 2.10 Summary of Performance Against KPI's
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Appendices

- A Progress against the 2024/25 Audit Plan

- B 2024/25 Audit Plan Start Dates Agreed with Management

- C Implementation Status of Outstanding Medium Priority Recommendations

- D Assurance and Findings Definitions 2024/25

- E Global Internal Audit Standards Briefing Paper

1. Introduction and Background

Purpose of Report

- 1.1 This report details:
- a) Progress made by the Shared Internal Audit Service (SIAS) in delivering the Council's Annual Internal Audit Plan for 2024/25 as at 12 August 2024.
 - b) In-Year Audit Plan review and proposed plan amendments.
 - c) The implementation status of previously agreed audit recommendations.
 - d) An update on performance indicators as at 12 August 2024.

Background

- 1.2 The 2024/25 Internal Audit Plan was approved by the Audit Committee on 18 March 2024.
- 1.3 The Committee receives periodic updates of progress against the Annual Internal Audit Plan. This is the second report giving an update on the delivery of the 2024/25 Internal Audit Plan.
- 1.4 The work of Internal Audit is required to be reported to a Member Body so that the Council has an opportunity to review and monitor an essential component of corporate governance and gain assurance that its internal audit provision is fulfilling its statutory obligations. It is considered good practice that progress reports also include proposed amendments to the agreed annual audit plan.

2. Audit Plan Update

Delivery of Audit Plan and Key Audit Findings

- 2.1 As at 12 August 2024, 29% of the 2024/25 Audit Plan days had been delivered.
- 2.2 There have been two final audit reports that have been issued since the previous progress report.

Audit Title	Assurance Opinion	Recommendations
Remote Working and Multi Factor Authentication	Substantial	1 Low
Trees Inspection Programme	Reasonable	1 Medium, 1 Low

High Priority Recommendations

- 2.3 Members will be aware that a Final Audit Report is issued when it has been agreed by management; this includes an agreement to implement the recommendations that have been made. It is SIAS's responsibility to bring to Members' attention the implementation status of high priority recommendations; it is the responsibility of officers to implement the recommendations by the agreed date.
- 2.4 No new high priority recommendations have been raised as a result of the work completed and reported in the table at paragraph 2.2. Therefore, there are no outstanding high priority recommendations.

Medium Priority Recommendations

- 2.5 It has been agreed with Council management that SIAS will follow up all medium priority recommendations resulting from internal audit reports at the point that they reach the implementation target date advised in the action plan provided by management. There were two medium priority recommendations due for follow up during this cycle, one of which has been implemented. An update has been provided in respect of the outstanding medium priority recommendation in appendix D.

Proposed Amendments

- 2.6 There are no plan amendments proposed within this reporting period.

Performance Management: Reporting of Audit Plan Delivery Progress

- 2.7 To help the Committee assess the current progress of the projects in the Audit Plan, we have provided an overall progress update of delivery against planned commencement dates at Appendix B. The table below shows that summary of performance based in the latest performance information reported at Appendix A.

Status	No of Audits at this Stage	% of Total Audits	Profile to 12 August 2024
Draft / Final Report Issued	4	16%	(5/25)
In Fieldwork / Quality Review	4	16%	(5/25)
Terms of Reference Issued / In Planning	7	28%	(5/25)
Not Yet Started	10	40%	(10/25)

- 2.8 Annual performance indicators and associated targets were approved by the SIAS Board in March 2023. As at 12 August 2024, actual performance for Welwyn Hatfield Borough Council against the targets that can be monitored in year was as shown in the table below:

Performance Indicator	Annual Target	Profiled Target to 12 August 2024	Actual to 12 August 2024
1. Planned Days – percentage of actual billable days against planned chargeable days completed (excluding unused contingency)	95%	32% (90 / 280 days)	29% (80.5 / 280 days)
2. Planned Projects – percentage of actual completed projects to draft report stage against planned completed projects by 31 st March 2024	90%	20% (5 / 25 projects)	16% (4 / 25 projects)
3. Client Satisfaction with Conduct of the Audit – percentage of client satisfaction questionnaires returned at 'satisfactory' level	100%	100%	100% (3 returned from 11 issued within 2024/25)
4. Number of High Priority Audit Recommendations agreed	95%	95%	No high priority recommendations have been made to date in 2024/25

2.9 In addition, the performance targets listed below are annual in nature. Performance against these targets will be reported on in the 2024/25 Head of Assurance's Annual Report:

- **5. Annual Plan** – prepared in time to present to the March meeting of each Audit Committee. If there is no March meeting, then the plan should be prepared for the first meeting of the financial year.
- **6. Head of Assurance's Annual Report** – presented at the Audit Committee's second meeting of the civic year.
- **7. Planned Projects** - percentage of actual completed projects to Final report stage against planned completed projects. Reported annually within the Chief Audit Executive's annual report and opinion.

Summary of Performance Against KPI's

2.10 Whilst Plan delivery is naturally subject to a continued stable establishment and availability of client officers to support audits, we currently report no risks to the delivery of a robust annual assurance opinion.

Global Internal Audit Standards

2.11 A briefing paper on the revised Global Internal Audit Standards that are required to be implemented by SIAS by 1 April 2025 is attached at Appendix E. Members should note that the Standards guide the worldwide professional

practice of internal auditing, are principle-based, and serve as a basis for evaluating and elevating the quality of the internal audit function. At the heart of the Standards are guiding principles that enable effective internal auditing, including the role and function of an audit committee.

APPENDIX A – PROGRESS AGAINST THE 2024/25 AUDIT PLAN AS AT 12 AUGUST 2024

2024/25 SIAS Audit Plan

AUDITABLE AREA	LEVEL OF ASSURANCE	RECOMMENDATIONS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS / COMMENTS	CSQ Completed
		C	H	M	L					
Key Financial Systems										
Cash and Banking						10				
Creditors (Risk & Control Mapping)						5	SIAS	0.5	In Planning	
Debtors (Risk & Control Mapping)						5	SIAS	0.5	In Planning	
Housing Benefits						10				
Payroll (Risk & Control Mapping)						5				
Treasury Management						10				
Operational Services										
CCTV and Body Worn Cameras						10				
CIL – Implementation						10				
Damp and Mould Follow Up						5	SIAS	2	In Fieldwork	
Oak Hill						10	SIAS	2	In Planning	
Parking - New On-Street Parking Restrictions						10	SIAS	0.5	In Planning	
Planned work and repairs						12	SIAS	2.5	In Fieldwork	
Statutory Compliance						12				
Tenancy Audits						10				
Trees Inspection	Reasonable			1	1	10	SIAS	10	Final Report	Yes

APPENDIX A – PROGRESS AGAINST THE 2024/25 AUDIT PLAN AS AT 12 AUGUST 2024

AUDITABLE AREA	LEVEL OF ASSURANCE	RECOMMENDATIONS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS / COMMENTS	CSQ Completed
		C	H	M	L					
Programme								Issued		
Corporate Services										
Agency Staffing						10				
Contract Procurement						10				
Engagement Strategy						8	SIAS	0.5	In Planning	
Procurement Act – Preparedness Part 1						5	SIAS	5	Draft Report Issued	
Procurement Act – Preparedness Part 2						3	SIAS	0.5	In Fieldwork	
Sickness Absence Management						10	SIAS	10	Draft Report Issued	
Transformation Board						10	SIAS	8	Quality Review	
IT Audits										
Cyber - Governance and Culture						10	BDO	1.5	In Planning	
IT Architecture Assessment						10	BDO	0.5	In Planning	
Remote Working and Multi Factor Authentication	Substantial				1	12	BDO	12	Final Report Issued	No (Issued 10/07/24)
Grant Claims / Charity Certification										
Miscellaneous Grant Claims						2				
Contingency										
Contingency						5				

APPENDIX A – PROGRESS AGAINST THE 2024/25 AUDIT PLAN AS AT 12 AUGUST 2024

AUDITABLE AREA	LEVEL OF ASSURANCE	RECOMMENDATIONS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS / COMMENTS	CSQ Completed
		C	H	M	L					
Client Management - Strategic Support										
Audit Committee and Recommendation Follow Up						10	SIAS	5		
Chief Audit Executive Opinion 2023/24						3	SIAS	3	Complete	N/A
Client Liaison and Corporate Governance Group						8	SIAS	4		
Plan and Progress Monitoring						7	SIAS	3.5		
SAFS Management Actions Follow Up						1	SIAS	0		
SIAS Development and Global Internal Audit Standards implementation.						15	SIAS	4		
2025/26 Audit Planning						7	SIAS	0		
2023/24 Carry Forward										
Completion of outstanding 2023/24 projects						5	SIAS	5	Complete	N/A
Total		0	0	4	6	285		80.5		

Key / Notes

Not Assessed = No assurance opinion provide as the project was either consultancy based or validation for compliance
 C = Critical Priority, H = High Priority, M = Medium Priority, L = Low Priority
 BDO = SIAS Audit Partner
 N/A = Not Applicable
 Audit Plan Days are a guide only and are not formally allocated. This is as per the approved 2023/24 Internal Audit Plan.
 CSQ = Client Satisfaction Questionnaire

APPENDIX B – 2024/25 AUDIT PLAN START DATES AGREED WITH MANAGEMENT

	<u>Quarter 1</u>	<u>Quarter 2</u>	<u>Quarter 3</u>	<u>Quarter 4</u>
Audits	Sickness Absence Management - Draft Report	Creditors CRA Mapping – In Planning	Agency Staffing	Cash and Banking
	Trees Inspection Programme - Final Report	Damp and Mould Follow Up – In Fieldwork	Housing Benefits	CCTV and body worn cameras
	Transformation Board – Quality review	Debtors CRA Mapping – In Planning	Payroll CRA Mapping	CIL - Implementation
		Oak Hill – In Planning	Statutory Compliance	Contract Procurement
		Parking - New On-Street Parking Restrictions – In Planning	Tenancy Audits	
		Planned work and repairs – In Fieldwork	Treasury Management	
		Procurement Act – Preparedness Part 1 – Draft Report		
		Procurement Act – Preparedness Part 2 – In Fieldwork		
IT Audits	Remote Working and Multi Factor Authentication - Final Report		Cyber - Governance and Culture – In Planning	IT Architecture Assessment – In Planning – In Planning
Embedded Assurance	Engagement Strategy - Provision across 2024/25 – In Planning			

APPENDIX B – 2024/25 AUDIT PLAN START DATES AGREED WITH MANAGEMENT

Other	2023/24 Carry Forward			
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Key:

Final Report Issued

Draft Report Issued

Quality Review

IT – IT Audits

G/C – Grant or charity certification to be completed as part of the audit plan

O - Other

CRA - Control Risk Assessment - A process by which management and staff work with internal audit to identify and evaluate operational risks and the effectiveness of controls. The objective is to provide reasonable assurance that all business objectives will be met.

APPENDIX C – IMPLEMENTATION STATUS OF OUTSTANDING MEDIUM PRIORITY RECOMMENDATIONS

Report Title and Date	Recommendation	Management Response	Original Target Date	Responding Officer	Management Action Taken to Date	Revised Target Date	Implementation Status
Handheld Devices Security	<p>Mobile Device Policies and Procedures</p> <p>As part of the mobile device provisioning process, members of staff should be provided with all associated relevant policies and directed to read them on a mandatory basis. Members of staff should be required to sign a declaration confirming that they have read and understood all necessary policies and procedures prior to being able to use their devices.</p> <p>It is understood that the Council's starters and leavers process is currently under review, and this recommendation should be included as part of this project.</p>	<p>WHBC ICT will create a form for completion by new mobile device users, indicating the location of relevant policies and requiring confirmation that they have been read. Users will only be issued with mobile devices on completion of the form.</p>	31/05/2024	ICT Operations Manager	<p><u>May 2024</u></p> <p>We are in discussions with HR to include the document as a signature requirement to be included within the onboarding process for new starters.</p> <p>The ICT policy is to be included as part of the DocuSign issued alongside the Code of conduct which is issued currently.</p> <p><u>August 2024</u></p> <p>WHBC are working with DocuSign to repackage the required documents. These will then be issued and signed off by new starters prior to their start date.</p> <p>We are working with the HR team to deliver a cohesive solution.</p>	31/10/2024	Partially Implemented

APPENDIX D – ASSURANCE AND FINDINGS DEFINITIONS 2024/25

Audit Opinions		
	Assurance Level	Definition
Assurance Opinions	Substantial	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
	Reasonable	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
	Limited	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
	No	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.
	Not Assessed	This opinion is used in relation to consultancy or embedded assurance activities, where the nature of the work is to provide support and advice to management and is not of a sufficient depth to provide an opinion on the adequacy of governance or internal control arrangements. Recommendations will however be made where required to support system or process improvements.
Grant Certification	Unqualified	No material matters have been identified in relation the eligibility, accounting and expenditure associated with the funding received that would cause SIAS to believe that the related funding conditions have not been met.
	Qualified	Except for the matters identified within the audit report, the eligibility, accounting and expenditure associated with the funding received meets the requirements of the funding conditions.
	Disclaimer Opinion	Based on the limitations indicated within the report, SIAS are unable to provide an opinion in relation to the Council’s compliance with the eligibility, accounting and expenditure requirements contained within the funding conditions.
	Adverse Opinion	Based on the significance of the matters included within the report, the Council have not complied with the funding conditions associated with the funding received.

Finding Priority Levels		
	Priority Level	Definition
Corporate	Critical	Audit findings which, in the present state, represent a serious risk to the organisation as a whole, i.e. reputation, financial resources and / or compliance with regulations. Management action to implement the appropriate controls is required immediately.
	High	Audit findings indicate a serious weakness or breakdown in control environment, which, if untreated by management intervention, is highly likely to put achievement of core service objectives at risk. Remedial action is required urgently.
Service	Medium	Audit findings which, if not treated by appropriate management action, are likely to put achievement of some of the core service objectives at risk. Remedial action is required in a timely manner.
	Low	Audit findings indicate opportunities to implement good or best practice, which, if adopted, will enhance the control environment. The appropriate solution should be implemented as soon as is practically possible.

The change from the International Professional Practices Framework to the Global Internal Audit Standards

1. Following consultation during 2023, the Global Institute of Internal Auditors (the GIIA) published a set of new Global Internal Audit Standards (GIAS) in January 2024. The GIAS are due to come into effect from January 2025, although this has been extended to April 2025 for the UK public sector to align with the new financial / municipal year and internal audit reporting requirements.
2. The previous International Professional Practices Framework (IPPF) was separated into categories for mandatory and recommended guidance. The new 2024 GIAS have incorporated the recommended guidance into the mandatory requirements to aid practitioners in accessing and understanding the information. This has also led to the previous Code of Ethics, Core Principles, and Implementation guidance under the umbrella of the new Standards. The image below (from the consultation papers) encapsulates this change.

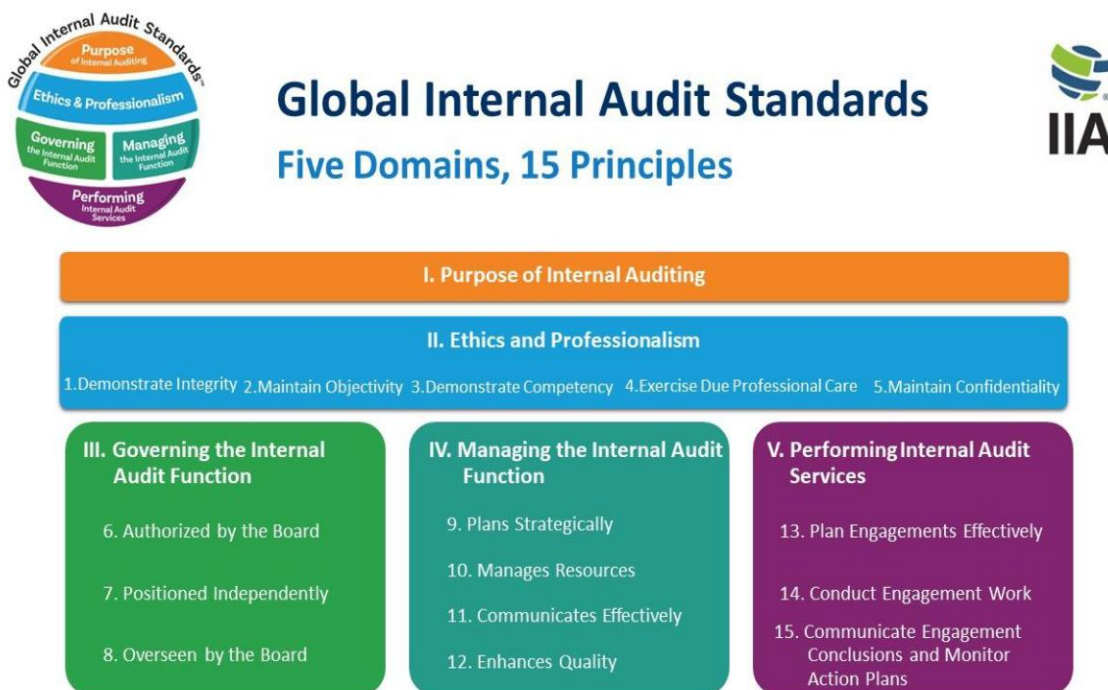


3. New to the 2024 GIAS are the setting of Topical Requirements. They are intended to assist the internal audit function by providing structure and consistency in covering governance, risk, and control over specified areas. These requirements will be published during 2024 and will be mandatory when Internal Audit scope an audit in these topical areas.
4. Although mandatory, there is a comply or explain approach when auditing, or choosing not to audit, an area where topical requirements have been published. They are not a requirement to perform any engagement, nor are they a step-by-step approach to the execution of the Internal Audit engagement. The topical requirements include a tool to help internal audit document the rationale for including or excluding certain requirements.
5. To date, one Topical Requirement has been published on Cyber Security. Others being developed include:
 - a) Organisational Governance
 - b) Fraud Risk Management
 - c) Information Technology Governance

APPENDIX E - GLOBAL INTERNAL AUDIT STANDARDS – BRIEFING PAPER

- d) Sustainability: Environment, Social and Governance
- e) Third-party Management
- f) Performance Audits (Public Sector specific)

The Global Internal Audit Standards – Domains and Principles



6. The GIAS are arranged into five Domains (sections), as also outlined in the image above:

- I. Purpose of Internal Auditing
- II. Ethics and Professionalism
- III. Governing the Internal Audit Function
- IV. Managing the Internal Audit Function
- V. Performing Internal Audit Services

7. There are five domains, with the first two being the foundations which apply across all other domains. Domain III is around governing internal audit, is therefore the most relevant to the Audit Committee and includes essential conditions that the Audit Committee needs to follow. Domain IV is around leading the internal audit function and therefore is the focus of the Chief Audit Executive (aka the Head of Internal Audit). Finally, Domain V is focused on performing internal audit engagements.

8. The 5 domains include 15 Principles (as also outlined in the image above) and 53 individual standards to support these. Each standard includes:

- a) Requirements – mandatory practices for internal audit
- b) Considerations for implementation – common and preferred practices to consider when implementing the requirements.

APPENDIX E - GLOBAL INTERNAL AUDIT STANDARDS – BRIEFING PAPER

- c) Examples of evidence of conformance – examples to demonstrate that the requirements have been implemented.
9. This new structure while meaning the document is now in the region of 100 pages long, is easy to dip in and out of and bring all relevant material to one place, rather than having to read across different documents.
10. The review has not just been structural. There are new requirements and clarifications. These are aimed to raise the bar for the profession across the globe in the private and public sector, however, in the UK and Ireland (and EU) the distance from current practice to the new GIAS is not as great as in other parts of the world. This is especially the case for public sector internal audit teams in the UK that ‘generally conformed’ with the Public Sector Internal Audit Standards (PSIAS) enshrined in the Accounts and Audit Regulations 2015. The PSIAS were themselves based on the IPPF.

Key Changes

11. The table below illustrates some of the key changes in the GIAS:

Area	Term	Definition / Change / Narrative
Glossary	Board	<p>Collective noun and is defined in the glossary as below:</p> <p><i>‘Highest-level body charged with governance, such as:</i></p> <ul style="list-style-type: none"> • <i>A board of directors.</i> • <i>An audit committee.</i> • <i>A board of governors or trustees.</i> • <i>A group of elected officials or political appointees.</i> • <i>Another body that has authority over the relevant governance functions.</i> <p><i>In an organisation that has more than one governing body, “board” refers to the body or bodies authorised to provide the internal audit function with the appropriate authority, role, and responsibilities.’</i></p> <p>In the UK public sector, this is generally deemed to be the Audit Committee or equivalent.</p>
Glossary	Root Cause	<p>Core issue or underlying reason for the difference between the criteria and condition of an activity under review. See Domain V below.</p>
Domain I	Purpose of Internal	<p><i>‘Internal auditing strengthens the organization’s ability to create, protect, and sustain value by providing the</i></p>

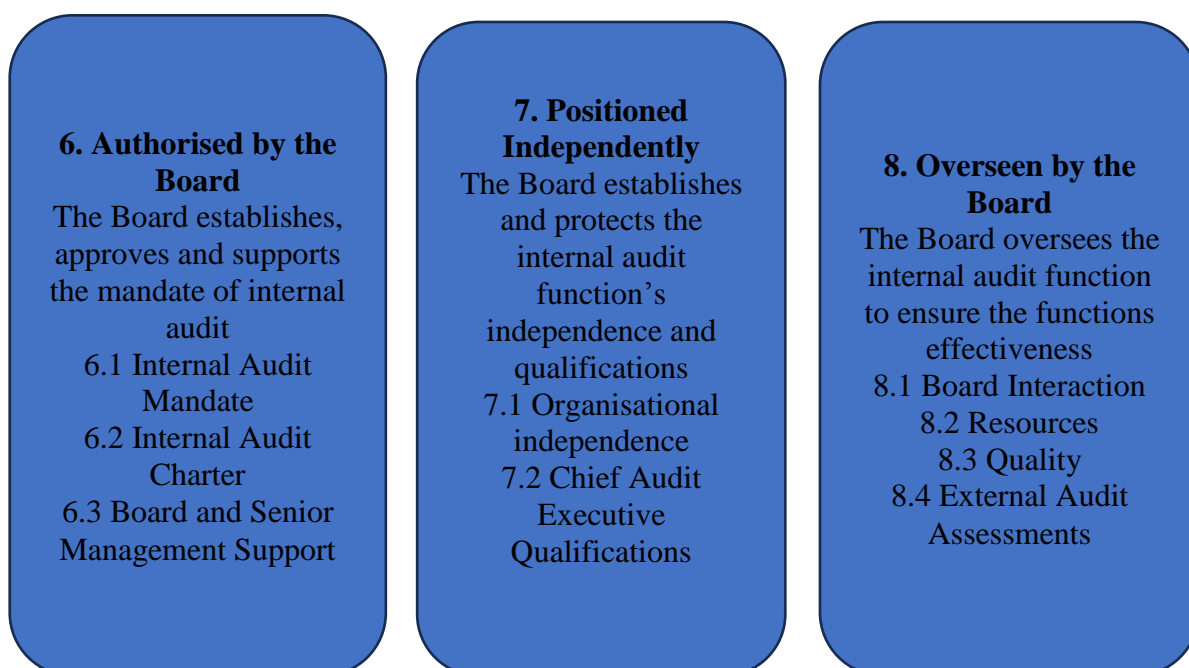
APPENDIX E - GLOBAL INTERNAL AUDIT STANDARDS – BRIEFING PAPER

	Auditing	<p><i>board and management with independent, risk-based, and objective assurance, advice, insight, and foresight.'</i></p> <p>Internal auditing enhances the organisation's:</p> <ul style="list-style-type: none"> • Successful achievement of its objectives. • Governance, risk management, and control processes. • Decision-making and oversight. • Reputation and credibility with its stakeholders. • Ability to serve the public interest.
Domain II	Code of Ethics	<p>Essentially the Code of Ethics with some further expansion pulling from Implementation Guidance. Introduction of the term 'Professional Courage' and ethics training as a consideration for implementation, but CIAs MUST complete 2 CPEs of ethics training every year. Also 'professional courage' as an appraisal objective.</p> <p>Professional courage is a new term. This is not about internal auditors seeking to speak directly with the board on areas they are worried about, but having professional discussion and using escalation protocols as appropriate to ensure that the message reaches the board as appropriate. Part of this is about ensuring that internal audit functions are aware of what ethical standards are expected, which is why ethical training is key part of this.</p>
Domain III	Governing the Internal Audit Function	<p>Domain III covers the governance of Internal Audit and represents a significant change. Although it covers areas that were in the previous IPPF, the new GIAS go further and explicitly lay out essential requirements, principles and standards with which Senior Management and the Board (Audit Committee) must conform. See separate section at paragraph 12 below.</p>
Domain IV	Managing the Internal Audit Function	<p>The Internal Audit Strategy principle sits in here, and the need to develop and implement an internal audit strategy.</p> <p>It should be noted that SIAS already has a Strategy approved by the SIAS Board. This is being revisited to ensure that it conforms with the GIAS.</p>

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Domain V	Performing the Internal Audit Services	This is largely the same as the previous IPPF / PSIAS. The term root cause in here has been an area of discussion amongst internal auditors.

12. The images below depict the three principles and nine standards of Domain III, being that most relevant to Audit Committees and senior management.



UK Public Sector Update

13. The GIAS will form the basis for internal auditing for the UK public sector and the UK Public Sector Internal Auditing Standards Advisory Board (IASAB) are carrying out a review of the new standards with a view to identifying and producing any sector specific interpretations or other material needed to make them suitable for UK public sector use. This is especially relevant for Domain III. The consultation material is due for issue by September 2024 at the latest, with a consultation period of eight weeks.

14. Having regard to the points raised by respondents, the IASAB will prepare final material for application in the UK public sector together with guidance on transition. Subject to approval by the Relevant Internal Audit Standards Setters (including Treasury, CIPFA and others), these will be issued later in 2024 to allow sufficient time for preparation for implementation. The effective date of the new material developed by IASAB will be 1 April 2025, to align with requirements for annual opinions and other relevant aspects of UK public sector governance which line up with the financial year. Until then, the existing

APPENDIX E - GLOBAL INTERNAL AUDIT STANDARDS – BRIEFING PAPER

PSIAS based on the old International Professional Practices Framework and enshrined in the Audit and Account Regulations 2015 will continue to apply.

15. The PSIAS require an External Quality Assessment (EQA) to be completed every five years, and this continues to be a requirement of the GIAS. Those local authorities with an EQA due in 2024 must complete these prior to the GIAS implementation date of 9 January 2025 and can request an additional readiness assessment against the new GIAS. Those with an EQA date due in 2025 can opt to bring this forward for conduct under the existing PSIAS on the grounds outlined or keep to the planned date but must have completed sufficient engagements under the new standards prior to being assessed. The next SIAS EQA is due in July 2026, thereby providing sufficient time to embed and evidence compliance with the new standards.

Actions and Next Steps

16. SIAS have, and will continue to, participate in consultation around the GIAS.
17. We have been attending professional body (Chartered IIA, CIPFA) and network (Chief Auditors Network, HCCIAG, LAG) webinars, training, and discussions to make sure we learn from colleagues and understand what is proposed, timeframes, the implications for SIAS and how we ensure we conform with the GIAS.
18. We have reviewed guidance and template documents available on the Chartered IIA member web pages and are working through the GIAS self-assessment tools available from the professional body to identify gaps, actions and exceptions.
19. As noted at paragraph 10, there are not a significant number of requirements for SIAS to implement from scratch and most of the work relates to revisiting and updating (where necessary) our documentation, processes, procedures, approaches, and methodologies to ensure that they conform with the GIAS. We have sought to link this as closely as possible to the normal delivery and reporting cycles to the SIAS Board and partner Audit Committees. To this end, partner Audit Committees have already received our updated and revised Internal Audit Mandate and Internal Audit Charter for approval in the May / June reporting cycle.
20. We will report on implementation and conformance with the GIAS, including areas of deliberate non-conformance, to the SIAS Board and our partner Audit Committees as part of our annual self-assessment accompanying the annual assurance opinion and our Internal Audit Charter. This forms part of the May / June Audit Committee cycle. We will inform the SIAS Board and partner Audit Committees should any material impediments to implementation arise ahead of the key UK public sector implementation date of 1 April 2025.

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Shared Internal Audit Service

Annual Report

2023/24

Annual Report Contents

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Introduction

Welcome to the Shared Internal Audit Service (SIAS) Annual Report for 2023/24.

Those familiar with my musings in the introduction to past editions of the annual report will know about my passion for walking, especially when the reward is personal contentment, good food and a refreshing drink at a pleasantly located country pub. While enjoying exactly this following a walk in the Test Valley in Hampshire during the May half-term, I had a copy of Country Walking magazine open in front of me and a quote from the editor leapt out – “Walking is good, and we should do more of it.” It has been said that walking can bring clarity and inspiration, and I got thinking about why internal audit is good, and why we should do more of it.

Internal auditors are qualified, skilled, and experienced professionals who exercise an unbiased and objective view. We are independent of the strategies, services, and operations we evaluate and report to officers at the highest levels in the partners and clients we support. We work in accordance with professional standards and a code of ethics, and exercise courage to express our opinion on often complex and strategic matters. We also love meeting the committed, inspiring, and astonishing people who serve our communities, and collaborating with them to seek improvement, undertake change and achieve success. In the spirit of celebration following a recent landmark birthday, I salute all internal auditors and those who resolutely champion and appreciate their work, especially in challenging times when the quality and extent of assurance, good governance, risk management and control face erosion and threat.

SIAS said a sad farewell to a team member departing during the year to a career opportunity elsewhere and bon voyage to another taking a career break to ‘Race across the world’. They are thanked for their achievements and contribution to the service and will be greatly missed (and welcomed back in one case). Departures offer the opportunity for new beginnings, and we welcome new team members, who have settled wonderfully well into the service. Congratulations are also extended to team members for their deserved promotions and exam successes.

Key developments in 2023/24 were the approval of the SIAS Business Plan for future income generation and the introduction of the Global Internal Audit Standards. These will form a significant part of service development activity in 2024/25.

For further highlights and reflections, I invite you to delve into the Annual Report itself. As ever, I enjoy the engagement, dialogue, and feedback the report fosters.

Chris Wood - Head of Assurance

June 2024



Levels of delivery

2023/24 continued to present pressures to SIAS in relation to recruitment and retention, these being pressures felt nationally within both local government and the private sector. The availability of experienced Internal auditors is recognised as a particularly challenging area given that it is a niche profession.

Despite the above challenges, SIAS managed to run several successful recruitment processes during 2023/24, cumulating in the recruitment of seven new members to the team during the year. This allowed SIAS to achieve 94% delivery of planned days and completion of 91% of planned projects to draft report stage, with targets of 95% and 90% respectively.

The slight underperformance in planned days related to SIAS deferring several audits for completion into April as the request of several Partners to manage officer resourcing pressures.

With our key objective being to complete enough work to allow an annual assurance opinion to be provided for each SIAS Partner, we are pleased to report that this was achieved.

Figure 1: Percentage of audits days delivered

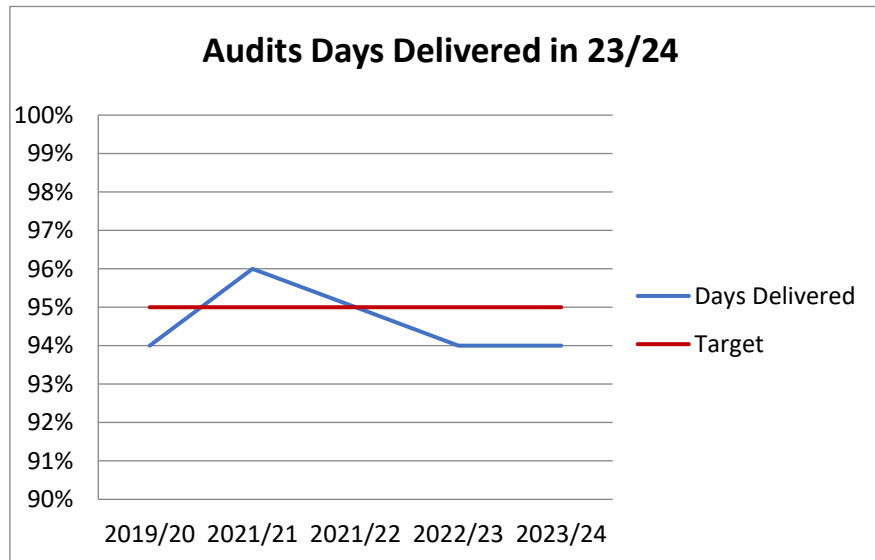
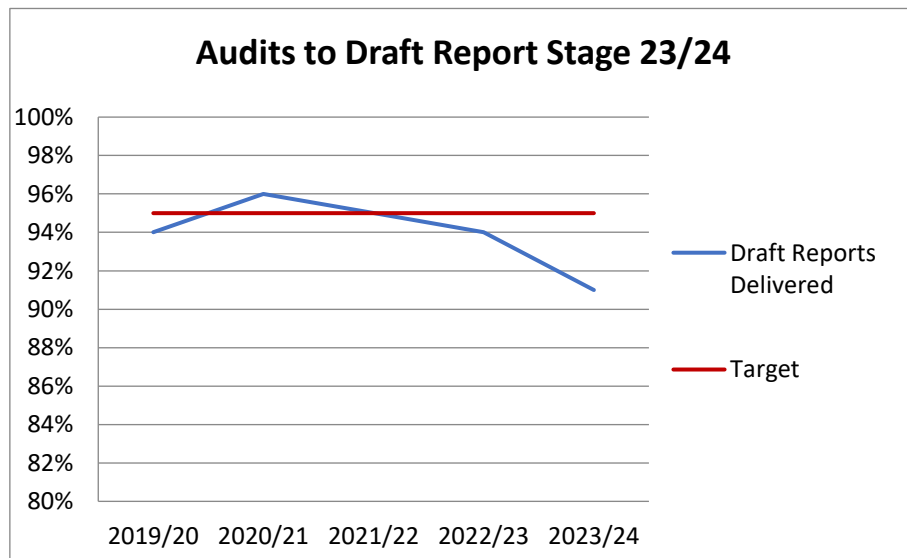
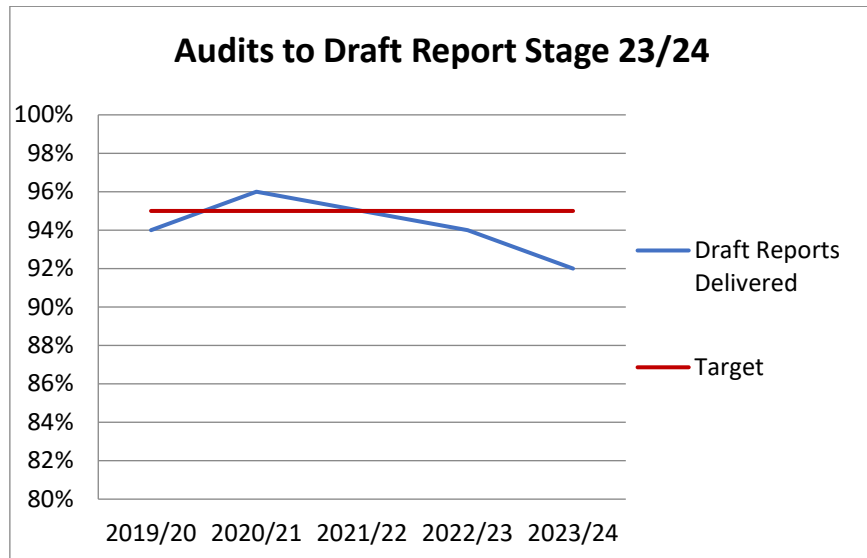


Figure 2: Percentage of audits to draft report stage



We delivered within 1% of our billable days target and achieved 1% over our 90% target of projects to draft report by 31 March 2024.



Shared learning - the power of partnership

A key founding principle of the Shared Internal Audit Service was the opportunity to embed a culture of shared learning within the partnership. A shared learning culture, both formal and informal, is embedded through our team, our sister services within Assurance and across our partners and opportunities abound to promote issues big and small.

We continued to use our networks with bodies such as the Chartered Institute of Internal Auditors (CIIA), local authority Chief Auditors Network (CAN) and Home Counties Chief Internal Auditors Group (HCCIAG) to ensure that we remained in touch with the challenges facing the audit profession and those being faced by the organisations that they provide assurance to.

The above networks provide particularly valuable during the consultation period for the Global Internal Audit Standards, which all Internal Audit providers are required to adhere to by 9 January 2025. Through the above networks we are already working jointly with other Heads of Audit to share good practice in how to demonstrate compliance with the revised standards.

Using the above forums, we have also discussed strategies for other key topics facing the profession such as recruitment and retention, assurance mapping, data analytics and the use of 'one page' audit reports. SIAS is also represented on the review group for the internal audit apprenticeship qualification, therefore having the opportunity to shape the course content and delivery methods. This is deemed as a critical opportunity given the service's move to a 'grow your own' strategy.

From a partner perspective, we continue to share good practice and emerging risks identified from our audit work during key Senior Management meetings, such as Corporate Governance Groups. This is deemed important to embrace a continuous learning culture within the partnership.

During 2023/24, our staff, partners and Audit Committee members have continued to support our cycle of continuous development with helpful challenges and comments, these being particularly critical as we look to continue to build a leading-edge internal audit service.

Effective shared learning is a fundamental part of a culture of ongoing continuous improvement, allowing learning to be transferred between organisations ...



Managing the challenges of auditing in a changing environment

We worked with partners to ensure our audit plans remained dynamic and could sufficiently respond to the changing risk environment.

The risk landscape of local government has and will continue to be subject to continued and fast paced change. All partners are currently managing multiple challenges including needing to identify savings to manage funding pressures, rising demand, unstable inflation, and global political unrest. In respect of fraud, business continuity and protection of data assets, cyber risk continues to be a key area of risk given the increasingly sophisticated methods of attack.

In addition, our partners continue to embrace new technologies such as Artificial Intelligence (AI), and progress significant transformation and development projects, both of which whilst providing significant opportunities also present material risks if not appropriately controlled.

SIAS continues to work with our partners to ensure that our planning approach seeks to understand how these risks have impacted each authority and subsequent assurance requirements. We also ensure that our plans are sufficiently flexible to accommodate emerging risks during the financial year.

As part of our audit planning for 2024/25, we have looked to embrace different methods of providing assurance to provide robust assurance, including assurance mapping, embedded (or real time) assurance, and data analytics. These allow us to use limited internal audit resources to best effect, as well as providing more insightful, real-time and robust assurance to our partners.

As a member of key audit networks, we can ensure that we have access to a wealth of intelligence on emerging risks and techniques for providing robust assurance. In addition, through our co-sourced audit arrangement we are also able to use the knowledge and skills of our external partner to have access to specialist skills, or their wider information pool to support other key opportunities such as benchmarking.

Overall, we believe that 2023/24 has provided an opportunity for SIAS to review how we can adapt our planning and delivery methodologies to provide an effective and value-added audit service, with this strengthening our assurance offering to our partners.

Developing our people and processes

SIAS is committed to providing an exemplar service to its partners and clients that successfully blends cost effectiveness, resilience, and quality.

We continue to embrace a 'grow your own' strategy, with a full review undertaken of our approach to training and development to ensure that this supports our aspirations of developing and progressing staff, as well as providing robust assurance.

In respect of the above, all our staff have the opportunity to progress their professional qualifications, with seven members of staff currently either following an apprenticeship or direct study route with the professional body. In addition, we now provide the team with fortnightly 'lite bite' training sessions, where we look to provide in-house training to support their professional studies.

We are pleased to report that three of our auditors have now completed their level 4 apprenticeship, which is testament to their dedication and hard work to progress their careers.

In addition to professional training, and to aid career progression, all our staff are provided with personal development plans that look to develop them in their existing role and build the skills required for the next step in the career.

As a service that promotes the benefits of shared learning, we equally look to embed this within the team, and we are proud to have developed a culture within the team of joint working and support amongst all grades of staff. During 2023/24, we have continued with our 'office Wednesday' day, this providing an opportunity for the team to network and ensures face to face time in what is now a more remote working environment.

Our 2023/24 Public Sector Internal Audit Standards self-assessment continues to demonstrate that we 'generally conform' with the standards, and we continue to use and disseminate learning from our quality review processes to support the development of our staff, seeking feedback from team members to support this process.

At the core of our service are our team members. We continue to invest in professional and internal training for our staff to ensure that they can reach their career aspirations....



First class customer service

To monitor our effectiveness and improve our service, at the end of each assignment we request the completion of a short satisfaction survey. We have been given and have acted upon invaluable improvement ideas, and we are proud of the fact that in 2023/24 we have received 95% satisfactory or higher feedback rating from our customers.

Some of the comments that accompany the formal scoring document are shown below:

- “The Auditors did a good job of turning around a very loose wide brief into a few practical considerations.”
- “Very good, explained purpose of audit well and good understanding of business rates.”
- “Excellent service. Given that it was a full audit this year the amount of my time taken up was a lot less than I was expecting. Queries were clear and concise and kept to a minimum. Very happy with the process and reassured by the results of the audit.”
- “A professional service with logical analysis, engagement and clarity in scope of audit and concise recommendations as reported to enhance service delivery.”
- “Thank you, Auditors. The outcome of the audit will support us to implement developments which will positively impact on the performance information we use to measure and improve our services.”
- “Really good service, the auditor was easy to work with and understood our processes.”
- “The service was very thorough and helpful. Auditors very understanding and patient with us providing evidence (due to IT and staffing issues). Thankyou.”
- “I thought the service was very good. Everything was explained clearly, and I understood the purpose of the audit and what I needed to do to help. The audit was completed in a timely manner and communication was prompt and effective.”
- “Very good. Auditors very approachable and helpful.”

“The auditor was very professional and a pleasure to work with. The auditor was aware of the workload’s council officers have and only requested sufficient and appropriate documents to complete the audit.”



Performance – outcomes

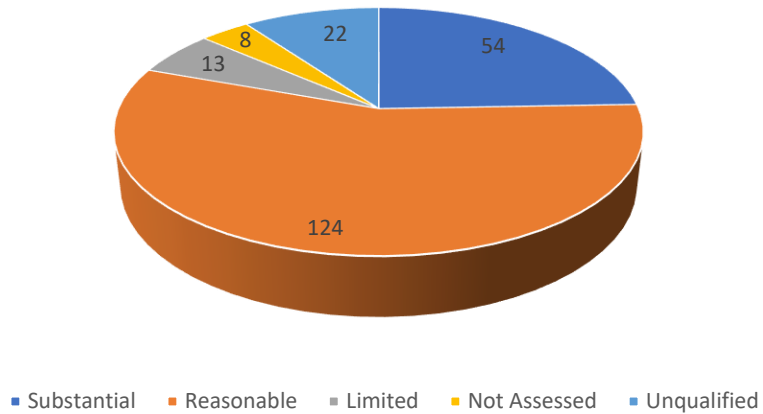
SIAS completed 226 assurance and other projects to draft or final report stage, giving the assurance opinions and recommendations detailed in the charts below.

For those pieces which resulted in a formal assurance opinion, the distribution of opinions is set out in figure 3 below:

Figure 3: Distribution of Audit Opinions 2023/24

226 assurance and other projects identifying 512 recommendations

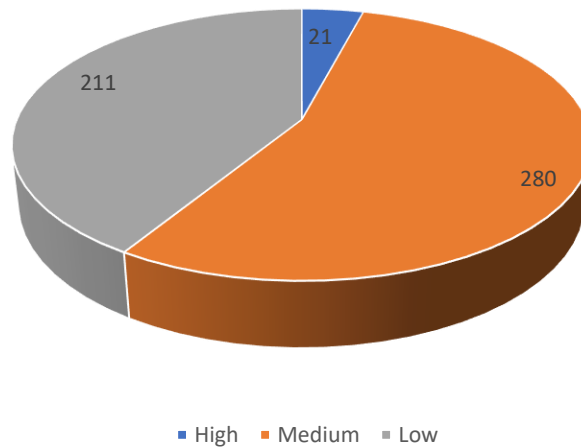
Distribution of Audit Opinions 2023/24



For those audits where recommendations were required and were graded, the priority ratings are set out in figure 4 below:

Figure 4: Prioritisation of Recommendations 2023/24

Prioritisation of Recommendations 2023/24



Performance indicators

The overall business performance of SIAS is monitored by the SIAS Board by means of a balanced scorecard which provides a range of measures by which progress can be evaluated.

The overall performance of SIAS against our key performance indicators is reported below.

Table 1: SIAS Business Performance

Indicator	Target	Actual as at 31 March 2023	Actual as at 31 March 2024
Progress against plan: actual days delivered as a percentage of planned days.	95%	94%	94%
Progress against plan: audits issued in draft by 31 March	90%*	90%	91%
Client satisfaction	100% client satisfaction questionnaires returned at 'satisfactory overall' level or above	95%	95%

* Target changed from 95% to 90% for 2023/24

Financial performance of SIAS

SIAS operates on a fully traded basis. Appendix A sets out the summary financial position at 31 March 2024.

Prudent financial management has allowed the service to build a reasonable reserve over the last few years, with the intention of smoothing the impact of any unforeseen events on trading performance in future years or investing in projects that support the delivery, growth, or development of the service.

Future developments



As part of the SIAS Medium Term Business Plan, approved in December 2023, we are commencing the expansion of our commercial offering. During 2024/25 our focus will be on developing the required internal infrastructure to support our progression into new markets and securing our first new customers.

Following the publication of the Global Internal Audit Standards in January 2024, we are currently reviewing our existing governance arrangements and audit manual to ensure that we can make any required adjustments to meet the implementation deadline of 9 January 2025.

For our team members and their future training and development, we will continue to support those members of our service that are striving to attain professional qualifications, with this continuing to be underpinned by personal development and progression plans.

As part of the continuous development of our audit approach and outputs, we are progressing the implementation of assurance mapping within our partner Council's to provide additional assurance over the management of key risks. We are also reviewing our current audit report format to ensure it provides a more concise and reader friendly document to assist management at all levels in understanding the outcomes of our work and key findings.

We will continue to work with our colleagues across audit networks to support the development of our knowledge and approach to making the most effective use of data analytics and assurance mapping within our assurance activities.

embed new ways of working... ensuring that we work with other audit teams to share and develop best practice...

Our board members

The SIAS Board provides strategic direction and oversight for the partnership, bringing a wealth of local government experience and insight to our operation.

In 2023/24, our Board members were as follows:

Name	Title	Partner
Clare Fletcher	Strategic Director (CFO)	Stevenage Borough Council
Matthew Bunyon	Head of Finance and Business Services	Hertsmere Borough Council
Steven Pilsworth	Director of Finance	Hertfordshire County Council
Ian Couper	Service Director (Resources)	North Herts Council
Richard Baker	Executive Director (Finance and Transformation)	Welwyn Hatfield Borough Council
Steven Linnett	Head of Strategic Finance and Property	East Herts Council
Alison Scott	Director of Finance	Three Rivers District Council
Hannah Doney	Chief Finance Officer and S151 Officer	Watford Borough Council
Chris Wood	Head of Assurance	SIAS
Darren Williams	Head of SIAS	SIAS

<u>SIAS Final Financial Position for 2023/24</u>		
	<u>Budget</u>	<u>Actual</u>
	<u>£</u>	<u>£</u>
Employee Costs	912,828	861,027
Partner / Consultancy Costs	172,000	306,900
Transport (Travel) & Supplies	34,183	20,369
Office Accommodation Cost	17,005	17,005
Total expenditure	1,136,016	1,205,300
Income	-1,165,494	-1,165,494
Net (surplus) / deficit	(29,478)	39,806

During 2023/24 SIAS operated at a net deficit position due to the increased use of the co-sourced audit partner to cover staff vacancies during the opening six months of the financial year and additional cost pressures from the outcomes of the Local Government Pay Settlement for 2023/24. The above deficit was funded through the SIAS Reserve which has a carry forward balance into 2024/25 of £140,784.

Appendix B: Definitions of Assurance Levels and Priority of Recommendations

2023/24 Definitions of Assurance and Recommendation Priority Levels

Audit Opinions	
Assurance Level	Definition
Assurance Reviews	
Substantial	A sound system of governance, risk management and control exist, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Limited	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
No	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.
Not Assessed	This opinion is used in relation to consultancy or embedded assurance activities, where the nature of the work is to provide support and advice to management and is not of a sufficient depth to provide an opinion on the adequacy of governance or internal control arrangements. Recommendations will however be made where required to support system or process improvements.
Grant / Funding Certification Reviews	
Unqualified	No material matters have been identified in relation the eligibility, accounting and expenditure associated with the funding received that would cause SIAS to believe that the related funding conditions have not been met.
Qualified	Except for the matters identified within the audit report, the eligibility, accounting and expenditure associated with the funding received meets the requirements of the funding conditions.
Disclaimer Opinion	Based on the limitations indicated within the report, SIAS are unable to provide an opinion in relation to the Council's compliance with the eligibility, accounting and expenditure requirements contained within the funding conditions.
Adverse Opinion	Based on the significance of the matters included within the report, the Council have not complied with the funding conditions associated with the funding received.
Recommendation Priority Levels	
Priority Level	Definition
Corporate	Critical Audit findings which, in the present state, represent a serious risk to the organisation as a whole, i.e. reputation, financial resources and / or compliance with regulations. Management action to implement the appropriate controls is required immediately.
Service	High Audit findings indicate a serious weakness or breakdown in control environment, which, if untreated by management intervention, is highly likely to put achievement of core service objectives at risk. Remedial action is required urgently.
	Medium Audit findings which, if not treated by appropriate management action, are likely to put achievement of some of the core service objectives at risk. Remedial action is required in a timely manner.
	Low Audit findings indicate opportunities to implement good or best practice, which, if adopted, will enhance the control environment. The appropriate solution should be implemented as soon as is practically possible.



Welwyn Hatfield Borough Council

Audit Committee

September 2024

Anti-Fraud Progress Report 2024/2025

Purpose

1. This early report provides details of the work undertaken by the Shared Anti-Fraud Service and Council Officers to protect the Council against the threat of fraud and the delivery of the Council's Anti-Fraud Action Plan for 2024/25.
2. Further reports will be provided to this Committee in 2024/25 with detailed progress with delivery of the agreed Plan and SAFS KPI performance.

Recommendations

3. **Members are RECOMMENDED to:**

- a) **Note the progress by officers and the Shared Anti-Fraud Service to deliver the Anti-Fraud Plan for the Council.**

Delivery of the Anti-Fraud Plan

4. The 2024/2025 Anti-Fraud Plan was approved by this Committee at its March 2024 meeting ([Public Pack](#))[Agenda Document for Audit Committee, 18/03/2024 19:30 \(welhat.gov.uk\)](#). This Plan covers all areas recommended by CIPFA and the *Fighting Fraud and Corruption Locally Strategy for the 2020s*. The Plan also provides assurance that the council continues to benefit from a positive return on its investment in the SAFS Partnership.

2024/2025 Anti-Fraud Activity

5. The Council has in place Anti-Fraud, Bribery & Corruption Policies and these are kept under constant review to ensure compliance with current best practice and the impact of any changes required by legislation.
6. SAFS provided alerts on new and emerging fraud trends through its Board members and directly with officers working in our Partners. These alerts come from a variety of sources including the National Anti-Fraud Network (NAFN), Credit Industry Fraud Avoidance Service (CIFAS), National Fraud Intelligence Bureau (NFIB) at the City of London Police, and others.
7. Between April and August this year SFAS issued 20 Urgent Alerts including impersonation/ push payments/ payment diversion/ false identified used in various application frauds. SAFS also provide regular Fraud Threat Reports that summarise new and emerging risks and provide officers on guidance around the identification of these and prevention. SAFS issued two such reports so far this year focused on Multiple Employment, ID fraud, Overpayment fraud, and MS Account Take-Over.
8. A training plan to build on staff awareness and fraud reporting, along with a publicity campaign to inform the public and encourage fraud reporting has been developed with officers in HR and Comms teams. Eight specialised training events (including ID fraud, Independent Living, BB abuse) and two all officer SAFS/fraud awareness sessions have already been delivered, and we have further sessions planned for September on contract/bid-rigging & housing fraud.

9. Between April and end of August, a further 40 allegations of fraud have been received by the Council/SAFS including Housing, Council Tax and Blue Badge abuse. Referrals from staff have increased from last year, which indicates our recent awareness sessions have had a positive effect. SAFS currently have 44 cases under investigation, or at referral (21) stage, with estimated losses of £923k.
10. Five investigations have been closed and fraud losses/savings identified in two cases- with fraud in excess of £95k actually reported across all cases. SAFS have also conducted 11 reviews of low value council tax frauds identifying reporting £18k fraud in the Council Tax Reduction Scheme.
11. SAFS and Council officers are currently preparing to take part in the main National Fraud Initiative (NFI) exercise for 2024/25. The Cabinet Office are providing guidance on data specification and timescales for data uploads in October with the output from this expected in January 2024.
12. The Council is signed up to the Herts FraudHub for 24/25. The FraudHub this works in a similar fashion to the main NFI exercise with data being submitted along with the other 7 partners in the SAFS Partnership for review to help identify fraud. In Q1 all agreed datasets were successfully uploaded and some data is already submitted for Q2. So far this has identified 1.7k records for review, SAFS and Council officers are reviewing these at present, with a small number of frauds/discrepancies already identified.
13. SAFS continues to focus a large part of its work for Welwyn Hatfield Borough Council on allegations of 'tenancy-fraud' committed against the Council's housing stock. Currently 16 of our live cases involve some aspect of tenancy fraud, 1 property secured in Q1 and several properties pending action to recover with housing management or legal services. SAFS also reviewed 15 Right to Buy applications to prevent money laundering or fraud in this process, one such review identified a potential fraud and was escalated for further enquiries.
14. SAFS manages the 'Council Tax Review' framework for all borough/district councils enabling them to identify fraudulent applications for council tax discounts. The new contract has been delivered by SAFS working with all district/boroughs and is now live with Welwyn Hatfield Council planning to make use of the framework in 2024 through its shared Revenues and Benefit Service.
15. In June SAFS worked with Anti-Fraud teams at Councils across Hertfordshire, Buckinghamshire, and Oxfordshire to provide a campaign to tackle the twin problem of Blue Badge theft and the misuse of stolen badges in car parks owned by Councils. In Hertfordshire SAFS also engaged with the Hertfordshire Constabulary and joint patrols with SAFS, Police and Council CEOs officers taking part, were conducted through June targeting known hot spots.
16. SAFS KPIs were agreed in the Anti-Fraud Pan, progress is reported below.

SAFS KPIs - 2024/ 2025- (WHBC)

KPI	Measure	Objectives	Performance to August 2024
1	Return on investment from SAFS Partnership.	<p>A. Meetings to take place with the Executive Director (Finance and Transformation), quarterly. And reports on all SAFS Activity to Portfolio Leads for Finance and Housing.</p> <p>B. Executive Director (Finance and Transformation) or deputy will be invited to attend SAFS Board meetings quarterly.</p> <p>C. Regular meetings to take place with Directors/Service Leads to agree and update local work plans.</p> <p>D. 3 Reports to Audit Committee in 2024/25.</p>	<p>A. Meetings take place with the Executive Director (Finance and Transformation) and other senior leaders to discuss delivery of the AF Plan and anything else relevant. The Agenda is agreed by Council Officers</p> <p>B. Executive Director (Finance and Transformation) is a member of the SAFS Board and attends its quarterly meetings.</p> <p>C. SAFS meet with other service leads across the Council as and when required with a focus on the highest risk areas.</p> <p>D. 5 reports in all will be delivered in 24/25 at the June/September/January AC meetings.</p>
2	Provide an investigation service.	A. Deliver between 90% and 110% of the 344 Days of counter fraud work including proactive and reactive investigation activity, data-analytics, training and fraud risk management.	A. To the end of July 2024 SAFS had provided 143 days (43%) of those planned for the year.
3	Action on reported fraud.	A. SAFS response to 95% of referrals received within 2 Days . (Trial Q1)	A. In Q1 SAFS responded to 100% of referrals within 24 hours on average. (We are reviewing performance against the 95% target at present)
4	Anti-Fraud Training	A. Deliver 10 anti-fraud/corruption training events for staff/Members in year. (To be agreed with Directors/ Service leads and HR)	<p>A. 8 Sessions delivered in Q1/Q2, with 2 more planned for Q2.</p> <p>In addition SAFS presented at the Councils Staff Briefing events in Q1 with all staff invited.</p>
5	Allegations of fraud. & And outcomes from cases investigated.	<p>A. 100% All reported fraud (referrals) received by the Council will be logged and reported by type & source on SAFS CMS. Outcomes of all referrals/cases will be recorded and reported.</p> <p>B. 6-12 Social homes secured from unlawful use or sub-letting or other unlawful activity.</p> <p>C. 100% Review of all Right to Buy and 'Succession' applications to prevent fraud and money laundering.</p> <p>D. SAFS to provide all Fraud Data for 2023/24 as required by the Transparency Code 2015.</p>	<p>A. Fraud reporting options available for staff and residents on the Council's webpage and intranet- This is linked to SAFS reporting tools. All cases with reports/values/outcomes recorded on SAFS CMS.</p> <p>B. 1 property recovered in Q1 with several pending recovery at the time of reporting.</p> <p>C. 100% review of all RTBs completed, no Succession applications have been submitted to SAFS.</p> <p>D. Transparency Data provided in SAFS report to AC in June 2024.</p>
6	Making better use of data to prevent/identify fraud.	<p>A. Support the output from NFI 2024/25 Council services.</p> <p>B. Membership and VFM from the Herts FraudHub in 2024/25.</p>	<p>A. The NFI data-upload is planned for October with plans to review output from January 2025.</p> <p>B. The Council has a contract in place for the FHub and data is being uploaded and</p>

Further Reading

17. List of Background Papers - Local Government Act 1972, Section 100D

- (a) ***Councillors Workbook on Bribery & Fraud Prevention (LGA 2017)***
- (b) ***Fighting Fraud and Corruption Locally- A Strategy for the 2020's (CIPFA/CIFAS/LGA 2020)***
- (c) ***Tackling Fraud in the Public Sector (CIPFA 2020)***
- (d) ***Lost Homes Lost Hope (Fraud Advisory Panel 2023)***

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Welwyn Hatfield Borough Council

Value for Money Interim Report

Year ended 31 March 2023

July 2024



Welwyn Hatfield Borough Council

The Campus
Welwyn Garden City
Hertfordshire
AL8 6AE

01 May 2024

Dear Audit Committee Members

2022/23 Value for Money Report

We are pleased to attach our commentary on the Value for Money (VFM) arrangements for Welwyn Hatfield Borough Council. This commentary explains the work we have undertaken during the year and highlights any significant weaknesses identified along with recommendations for improvement. The commentary covers our findings for audit year 2022/23.

The Department for Levelling Up, Housing and Communities (DLUHC) has worked collaboratively with the FRC, as incoming shadow system leader, and other system partners, to develop measures to address the delay in local audit. The National Audit Office (NAO) issued a consultation on 8 February 2024 seeking views on changes to the Code of Audit Practice (the Code) to support auditors to meet backstop dates and promote more timely reporting of their work on value for money arrangements. The consultation proposes to reduce the scope of the VFM reporting up to and including the 2022/23 financial year. At this stage, we are continuing to report VFM in line with our existing responsibilities as set out in the 2020 Code.

This report is intended solely for the information and use of the Audit Committee and management. It is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss the contents of this report with you at the Audit Committee meeting on 5 September 2024.

Yours sincerely

Andrew Brittain

Partner

For and on behalf of Ernst & Young LLP

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01 Executive Summary



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Public Sector Audit Appointments Ltd (PSAA) issued the “Statement of responsibilities of auditors and audited bodies”. It is available from the PSAA website (<https://www.psa.co.uk/auditquality/statement-of-responsibilities/>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas. The “Terms of Appointment and further guidance (updated July 2021)” issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature. This report is made solely to Audit Committee and management of Welwyn Hatfield Borough Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit Committee and management of Welwyn Hatfield Borough Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit Committee and management of Welwyn Hatfield Borough Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



BOARDROOM

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01 Executive Summary



Executive Summary

Purpose

Auditors are required to be satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We do not issue a 'conclusion' or 'opinion', but where significant weaknesses are identified we will report by exception in the auditor's opinion on the financial statements. In addition, auditor's provide an annual commentary on arrangements published as part of the Auditor's Annual Report. In doing so, we comply with the requirements of the 2020 Code of Audit Practice (the Code) and Auditor Guidance Note 3 (AGN 03).


The purpose of this commentary is to explain the work we have undertaken to assess the Council's arrangements during the period 1st April 2022 to 31st March 2023 and highlight any significant weaknesses identified along with recommendations for improvement. The commentary covers our findings for audit year 2022/23.

The Department for Levelling Up, Housing and Communities (DLUHC) has worked collaboratively with the Financial Reporting Council (FRC), as incoming shadow system leader, and other system partners, to develop measures to address the delay in local audit. As part of the NAO consultation issued on 8 February 2024, there is a proposal to reduce the scope of the VFM reporting up to and including the 2022/23 financial year. However, the consultation states that where auditors have begun or already undertaken work that no longer falls under the reduced scope (if agreed once the consultation closes), they may still report on it in accordance with Schedule 4. We are continuing to report VFM in line with our existing responsibilities as set out in the 2020 Code to ensure a smooth transition to the 2023/24 audit year when auditors are required to meet the full Code reporting responsibilities.

The report sets out the following areas which have been assessed up to the point of issuing this report:

- Any identified risks of significant weakness, having regard to the three specified reporting criteria;
- An explanation of the planned responsive audit procedures to the significant risks identified;
- Findings to date from our planned procedures; and
- Summary of arrangements over the period covered by this report (Appendix A).

We will summarise our final view of the value for money arrangements as part of the Auditor's Annual Report once the audit report has been issued for 2022/23.



Executive Summary (continued)

Risks of Significant Weakness

In undertaking our procedures to understand the Council's arrangements against the specified reporting criteria, we identify whether there are risks of significant weakness which require us to complete additional risk-based procedures. AGN 03 sets out considerations for auditors in completing and documenting their work and includes consideration of:

- our cumulative audit knowledge and experience as your auditor;
- reports from internal audit which may provide an indication of arrangements that are not operating effectively;
- our review of Council committee reports;
- meetings with the S151 officer (Executive Director (Finance & Transformation));
- information from external sources; and
- evaluation of associated documentation through our regular engagement with Council management and the finance team.

We completed our risk assessment procedures and did not identify any significant weaknesses in the Council's VFM arrangements.

As a result, we have no matters to report by exception at this stage of the audit and we will update our interim reporting as part of issuing the final commentary in the Auditor's Annual Report later in the year.

Executive Summary (continued)

Reporting

Our commentary for 2022/23 is set out over pages 9 to 22. The commentary on these pages summarises our understanding of the arrangements at the Council based on our evaluation of the evidence obtained in relation to the three reporting criteria (see table below) throughout 2022/23. We include within the VFM commentary below the associated recommendation(s) we have agreed with the Council.

Appendix A includes the detailed arrangements and processes underpinning the reporting criteria. These were reported in our 2021/22 Auditor’s Annual Report and have been updated for 2022/23.

In accordance with the NAO’s 2020 Code, we are required to report a commentary against the three specified reporting criteria. The table below sets out the three reporting criteria, whether we identified a risk of significant weakness as part of audit procedures, and whether, at the time of this report, we have concluded that there is a significant weakness in the body’s arrangements.

Reporting Criteria	Risks of significant weaknesses in arrangements identified?	Actual significant weaknesses in arrangements identified?
Financial sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services	No significant risks identified	No significant weakness identified
Governance: How the Council ensures that it makes informed decisions and properly manages its risks	No significant risks identified	No significant weakness identified
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	No significant risks identified	No significant weakness identified



Executive Summary (continued)

Independence

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and the Council, and its members and senior management and its affiliates, including all services provided by us and our network to the Council, its members and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 1st April 2022 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

EY Transparency Report 2023

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2023:

[EY UK 2023 Transparency Report | EY UK](#)



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02 Value for Money Commentary

Value for Money Commentary

Financial Sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services

No significant weakness identified

The Council is required to have arrangements in place to ensure proper resource management and the primary responsibility for these arrangements, and reporting on the design and operation of these arrangements via the Annual Governance Statement, rests with management. In accordance with the NAO's Code the focus of our work is on the arrangements that the Council was expected to have in place during the year ended 31 March 2023. During our risk assessment procedures, we did not identify any risk of significant weakness in arrangements for the Council towards its financial sustainability.

Budget Outturn Report

The Council was able to make use of grants provided by the government and earmarked reserves set aside in 2021/22, to offset the costs caused by economic uncertainty. The Council sets budget to respond financial challenges and government funding reduction. It focuses on driving out inefficiency and embracing new processes at the same time, managing to be implementing savings while contributing to strategic reserves.

Per the Capital Budget Outturn report, the current approved capital budget is £176.485m (which includes the approved re-phasing of budgets from 2021/22) and the outturn position (including proposed re-phasing of budgets into 2023/24) is £49.333m; and

Per the Revenue Outturn report - There was an adverse variance on the General Fund net cost of services of £1.82m. After additional earmarked reserve drawdowns of £1.152m and other variances of £0.104m, this leaves a net favourable change in the General Fund Reserve of £0.178m. The closing balance on the Housing Revenue Account is £2.764m, which is an adverse movement of £0.043m from the Current Budget and Outstanding debts at 31 March 2023 total £3.401m, with rolling debtor days at 42.72.

The cabinet meeting minutes reflect the fact that these outturn reports and data are closely monitored by the cabinet members and also by the audit committee members. There are sufficient arrangements in place for the Cabinet to scrutinise the financial performance of the Council.

Medium Term Financial Strategy (MTFS)

The Council's forecasts within the MTFS at 31/3/23 showed a cumulative budget gap of £2.125m over the term of the forecasting period from 2023/24 to 2025/26 along with planned use of reserves to support the collection fund deficits. The Council subsequently updated the MTFS (approved February 2024) wherein the budget gap was updated to £2.040m for 2025/26, and a cumulative gap of £5.704m for the three year term of the MTFS. If the Council were not to put robust plans in place to address this gap, reserves would fall below the recommended minimum balance. Council have embarked on a range of projects and programmes which will support them to deliver their aims and also support the delivery of a balanced budget. Principally these focus on the General Fund, although their Modernisation Programme will deliver efficiencies for both reserves and revenue contributions. In addition to these, there are a number strategies and policies which are reviewed on an annual basis which can be used to help drive efficiencies.

Identified within the Medium Term Financial Strategy (MTFS), there are some significant uncertainties and risks which the Council is aware of and continues working towards a plan to mitigate them and deliver robust performance. Some of the key uncertainties are:-

- a.) Grant funding for LG continues to be extremely uncertain and there is only a single year of certainty in the level of funding that will be provided;
- b.) Revenue Support Grant (RSG), previously provided by the Government was removed. This means the Council have become increasingly reliant on the more volatile income sources such as business rates;
- c.) No long term certainty has been provided over whether the previously proposed grant reductions will be taken into account which eventually impacts future income for Council;
- d.) Economic turmoil continues particularly UK and EU transition arrangements. Additionally, the high inflation has impacted Council contracts.
- e.) Numerous legislative changes that impact Council arrangements and delivery of services.

This has been discussed in regular meetings with officers to understand what they are doing to mitigate this risk. The deep dive analysis of potential savings and income are constantly monitored.

Value for Money Commentary

Financial Sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services

No significant weakness identified

We are satisfied that the current economic conditions are considered in updating the MTFS. We note that despite the pessimistic assumptions in the MTFS, the cash flow forecast of the Council until 2025 remains positive giving assurance that the Council is financially resilient. Our assessment of the reserves position as of year-end also highlights that the Council has sufficient reserves to cover future gaps until 25/26.

Capital Forecasts and Strategy Plan

Council's Capital Forecasts and Strategy provides a high-level overview of how capital expenditure, financing and treasury activities contribute to the overall financial position, and how they contribute to the delivery of the services. They have a clear management processes and indicators set-up to inform robust decisions, and to understand the implications of any decisions over the longer-term financial sustainability. The budgets are set and approved in line with the Financial Planning Framework, and expenditure is capitalised in line with international accounting standards, the CIPFA code of conduct and their own accounting policies (which are published in the annual Statement of Accounts).

The majority of spend in the Council's General Fund is in relation to regeneration and operation property projects, and for the delivery of new affordable housing in the HRA. In order to ensure longer-term financial sustainability, and the affordability of their capital plans the Council maintain numerous strategies and make use of indicators. These also help inform their decisions and monitor risk.

Investment and Commercial Strategy – This includes a suite of indicators to monitor against, ensures professional advice is taken where appropriate and that officers maintain their professional integrity.

Treasury Management Strategy – This strategy ensures they maintain sufficient, but not excessive, funds to meet their spending needs. It provides the framework for managing the risks involved with investing their surplus cash, and borrowing for investment in services or for cashflow purposes. The main priorities for the investment of cash balances are to ensure the security of the cash, and to maintain the appropriate level of liquidity to meet the Council's needs. They give these objectives priority over the return on investment (interest income). They formally report on their treasury management activities regularly (strategy setting, mid-year, and at year-end) and monitor against a set of indicators. This strategy also sets out how they apportion interest costs and income between their revenue accounts, the limits with financial institutions and details their use of specialist advisors.

As of the date of this interim report there are no changes in the MTFS of the Council.

Conclusion: Based on the work performed, the Council had proper arrangements in place in 2022/23 to enable it to plan and manage its resources to ensure that it can continue to deliver its services.

Recommendation: We recommend that the Council to continue performing a regular review of the assumptions used in setting the medium term financial strategy.

Value for Money Commentary (continued)

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

No significant weakness identified

The Council is required to have arrangements in place to ensure proper risk management and the primary responsibility for these arrangements, and reporting on the design and operation of these arrangements via the Annual Governance Statement, rests with management. In accordance with the NAO's Code the focus of our work should be on the arrangements that the Council is expected to have in place during the year ended 31 March 2023. In 2022/23, we did not identify a risk of significant weakness in arrangements in place to ensure sound governance.

Welwyn Hatfield Council has an established risk management process including a Risk Management Strategy that is reviewed bi-annually by the Audit Committee. The Annual Governance Statement sets out significant risk issues and mitigating actions which are identified and monitored by the Audit Committee. The Strategic Risk Register is reviewed quarterly or more frequently as required, by the Corporate Leadership Team.

The Internal Audit plan is developed with input from Senior Leadership team (SLT), Members and Directors, arising risks noted by the Internal Audit team during the year and key information from their reports. Audit work considers the risk of fraud during each review and quarterly reports on findings, recommendation status and progress towards the audit plan are reported to Audit Committee. Internal audit and risk management processes provide further monitoring and assurance, as do the Council's procedures for investigating and reporting on any alleged breaches.

The Council's Code of Conduct is a comprehensive document, providing advice on the disclosure of gifts and hospitality as well as other interests. This extends to dealing with allegations of breach of the Code and ensures that Members of the Council have access to training and advice on the Code of Conduct. Essentially, the Committee promotes the code of conduct for Members and monitors adherence to it.

The Council's Annual Governance Statement (AGS) is a statutory requirement, and the Council has prepared this statement in line with this requirement. The Regulations require that the AGS be published for public inspection alongside the draft financial statements (see comment below). The SLT meet regularly to discuss matters as set out in the AGS. The SLT reviews monthly the financial and performance information of the Council. Included periodically is benchmarking reports completed internally and externally which are used as a line of enquiry to identify where improvements can be made to operational performance or financial performance.

The Council continues to review how it can improve the budget setting process. The key being it should not be an annual process, but a living document that is developed over the medium term and the work embedded through business as usual. All planning assumptions are considered by the Corporate Leadership Team and are informed through modelling, planning assumptions and intel from wider networks which Directors are part of. Regular budget monitoring meetings are held between Finance Business Partners and budget managers. Monthly budget monitoring reports are prepared for Corporate Management Team (CMT) and quarterly budget monitoring reports are prepared for Cabinet. Budget monitoring highlights any issues to enable corrective action to be taken where appropriate.

The Council continuously identifies the risks it faces, including the likelihood of the risks happening and the impact. These risks are reported to the Audit Committee on a quarterly basis. A common theme in the risks identified for 2022/23, relates to increasing costs of providing services and funding reductions. To address this, the Council revisited their funding projections and closely monitored the budget, Covid recovery and inflation. We have assessed the Council's arrangements in terms of financial sustainability and concluded they are sufficient. We are therefore satisfied that the risk assessment procedures in place in the Council are working effectively and risks are being appropriately managed.

The Council published their draft 2022/23 financial statements for audit on the 4 September 2023, and advertised and held an inspection period of 30 working days for members of the public from 5 September 2023 to 17 October 2023. We note from the Accounts and Audit Regulations that the inspection period needs to have included the first 10 working days of June 2023 and, by implication, the draft unaudited financial statements should have been published by 31 May 2023. However, we acknowledge that the statements could not have been made available for public inspection before 5 September 2023 as they hadn't been published until 4 September 2023. We do not think the inspection period needs to be re-run, but would like to bring this matter to the attention of the Governance and Audit and Standards committee.

Conclusion: Based on the work performed, the Council had proper arrangements in place in 2022/23 to make informed decisions and properly manage its risks.

Value for Money Commentary (continued)

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

No significant weakness identified

The Council is required to have arrangements in place to ensure economy, efficiency and effectiveness, and the responsibility for these arrangements, and reporting on the design and operation of these arrangements via the Annual Governance Statement, rests with management. In accordance with the NAO's Code the focus of our work should be on the arrangements that the Council is expected to have in place during the year ended 31 March 2023.

In 2022/23, we did not identify a risk of significant weakness in arrangements in place to ensure economy, efficiency and effectiveness.

As part of its arrangements to ensure the efficient delivery of services, the Council has in a place a number of strategic partnerships, the main being with Hatfield Renewal Partnership (HRP), The Community Safety Partnership (CSP), Welwyn Garden City Business Improvement District (BID) partnership, and Hertfordshire Growth Board (HGB). Through Partnership Boards performance is monitored and evaluated to ensure as a 'system' where the Council has direct or indirect control and influence to support the wider outcomes for the Borough.

External bodies inspection reports:-

a.) CQC Commission – No inspection report for 22/23.

b.) Social Housing Regulator - <https://www.gov.uk/government/publications/regulatory-judgement-welwyn-hatfield-borough-council/regulatory-notice-welwyn-hatfield-borough-council-28-july-2021>. The website says; "Withdrawn on 25 January 2023: The issues giving rise to Welwyn Hatfield Borough Council's Regulatory Notice have been resolved."

We have obtained evidence from the Council that confirms the Housing Compliance conclusion.

c.) Ofsted website – No inspection report identified for the Council.

We also inquired of the Council, and it was confirmed that there were not any inspection reports from any other external bodies during 22/23.

Conclusion: Based on the work performed, the Council had proper arrangements in place in 2022/23 to enable it to plan and manage its resources to ensure that it can continue to deliver its services.



03 Appendices

Appendix A - Summary of arrangements

Financial Sustainability

We set out below the arrangements for the financial sustainability criteria covering the year 2022/23.

Reporting criteria considerations

How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them

Arrangements in place

The Council has in place a range of key performance indicators which it uses to monitor performance. The Council maintains a risk register which is reviewed regularly by the Executive and Audit Committee.

An annual 3-year Medium Term Financial Strategy (MTFS) is produced by the Executive Director (Finance & Transformation) as Section 151 officer. The preparation of the MTFS is an ongoing process which engages officers, members and the public on a cyclical basis to continuously update the medium-term position of the Council once new information becomes available.

The MTFS is a live document which is periodically reviewed by the Section 151 Officer in consultation with the Senior Leadership Team (SLT). When updating the MTFS consideration is informed by the in year budget monitoring position, risk register, potential changes in legislation in order that risks can be identified accurately, consideration to economic conditions to inform inflation, pay rise increases and contract inflation assumptions. Directors sit on a series of external networks and therefore intel from these groups is also considered.

Monthly budget monitoring is completed by the Financial Services team with quarterly budget monitoring being reported to Members. Any financial issues are reported throughout the year and form part of the assessment of the medium term financial strategy. Attendance at webinars and subscription emails highlight key changes in legislation and direction, which form part of the assessments undertaken for the MTFS.

How the body plans to bridge its funding gaps and identifies achievable savings

Savings are identified throughout the year as part of the budget monitoring process, with an emphasis on identifying savings during the budget setting process. Funding is addressed through the medium term financial strategy and annual budget setting process. The Council has a programme of modernisation and digitalisation underway which will form a large part of its efficiency generation. The Councils MTFS (section 2.3) sets out the key strategies, including modernisation, which will be adopted. The Council will therefore continue to focus on delivery of existing services through identification of saving, efficiency and transformational opportunities. Saving opportunities are identified and considered as part of a collaborative corporate approach through the Extended Leadership Team.

Appendix A - Summary of arrangements

Financial Sustainability (Continued)

We set out below the arrangements for the financial sustainability criteria covering the year 2022/23.

Reporting criteria considerations

How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities

Arrangements in place

The MTFS is intrinsically linked to the Corporate Plan which has been agreed by Members for the remainder of the Administration. The Corporate Plan is the 'top level' document of the organisation to which all other strategies and policies are informed. The MTFS ensures that financial resources are allocated appropriately to deliver the strategic priorities and objectives of the Council.

Given the scale of challenge for 2022/23 this was challenging given the size of the budget gap, however each saving, efficiency and transformational opportunities were considered against the corporate plan to ensure the Council didn't have to make a policy or priority change.

The Council's approach is to continue to allocate resources to deliver the corporate plan in a strategic and sustainable manner. Given the financial uncertainty, allocating the appropriate resources to service is important and one which Members need to consider against the range of commitments, promises and risks.

Financing is kept in constant review during the year as part of the budget monitoring process. An assessment of risk is undertaken against Reserves and funds are set aside to support modernisation and digital programmes of work, along with key risks.

Appendix A - Summary of arrangements

Financial Sustainability (continued)

We set out below the arrangements for the financial sustainability criteria covering the year 2022/23.

Reporting criteria considerations	Arrangements in place
How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system	<p>The Executive Director (Finance & Transformation) is responsible for Corporate Strategy and Policy which allows alignment to be made. The Council ensures that the MTFS is considered as the same agenda item as the Capital Investment Strategy and Treasury Management Strategy given how they are all interlinked.</p> <p>All decision reports contain financial implications in order that the impact on the Council's resources can be considered and whether they need to be provided for within the MTFS. This includes the development of strategy and policy.</p> <p>The medium term financial strategy is drafted with reference to other plans to ensure that the comprehensive corporate position is reflected. It considers the priorities of the Council. Since 2018 the budget papers have been taken as a single pack to emphasise the importance of considering funds in totality rather than separately. From 2020 the MTFS and financial governance framework, such as capital strategy and investment strategy, were brought together into one document to again demonstrate the integration of plans.</p>
How the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans	<p>The MTFS contains a dedicated section on risk management along with budget monitoring reports. Similarly, the Audit Committee have received a copy of the Strategic Risk Register during the year. Internal Audit meet Leadership Teams on a regular basis to update the local and Strategic Risk Registers.</p> <p>The Performance Management Framework is in place to monitor the use of the Council's resources and its performance. This will identify where underlying assumptions and parameters may be changing. The Performance Team report monthly to the Corporate Leadership Team which show underlying performance of the Council's services and are aligned to the strategic plan.</p> <p>The Council holds a level of reserves which may be called upon to deal with unforeseen circumstances. The Council ensures it is aware of and applies for available grant funding to assist with unplanned budget pressures. A risk assessment is undertaken as part of the MTFS and budget setting and is included in the budget alongside a statement from the CFO.</p>

Appendix A - Summary of arrangements

Governance

We set out below the arrangements for the governance criteria covering the year 2022/23.

Reporting criteria considerations

How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud

Arrangements in place

The system of internal control, including fraud, is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can only provide reasonable, not absolute, assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Welwyn Hatfield BC's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them economically, efficiently and effectively. Regular monitoring of key performance indicators is undertaken and reviewed by internal audit.

With regards to capital projects, the Council has followed adequate steps to ensure that capital projects are managed and monitored regularly to identify any issues which may arise.

The AGS sets out the framework for these items. There is an operational and strategic Health and Safety Board which monitors H&S throughout the organisation. This group has been tasked with pulling together a key/comprehensive list of KPIs and performance monitoring information which is monitored on a regular basis. Officers from throughout the organisation attend this group, including the H&S officers, service leads, HR lead, insurance lead, public health and protection.

Cabinet Members meet regularly with Chief Executive, Directors and Assistant Directors, to consider the strategic direction, plans and progress of the Council. Corporate targets are individually owned by the Council's services teams and are performance managed by the Executive Member, Director and Head of Service responsible for them. These are monitored and exception reported through quarterly meetings of an internal performance clinic attended by senior Members and officers.

The Council has a Code of Conduct for members and officers (and for the relationship between these two) that are included as part of the constitution on the internet. Management takes appropriate action in response to departures from approved policies and procedures or the code of conduct. There is a fraud strategy and Fraud Risk Register.

There are appropriate policies for such matters as conflicts of interest, and security practices that are adequately communicated throughout the organization. A whistle blowing policy is in place which can be used by employees to raise concerns about the Council, including accounting, auditing, IT or internal control issues.

The Council regularly updates the risk register and appropriate mitigating actions are put in place where necessary.

Appendix A - Summary of arrangements

Governance

We set out below the arrangements for the governance criteria covering the year 2022/23.

Reporting criteria considerations	Arrangements in place
How the body approaches and carries out its annual budget setting process	<p>The Council continues to review how it can improve the budget setting process. The key being it shouldn't be an annual process, but a living document that is developed over the medium term and the work embedded through business as usual.</p> <p>In line with Financial Regulations, the Executive Director (Finance & Transformation) is responsible for the budget setting processes and a planning cycle is put in place to ensure the Council meets its statutory duty of setting a balanced budget annually.</p> <p>A budget timetable is set and information to contribute to the budget setting process is gathered throughout the year during regular budget monitoring and other meetings with budget managers. Budget managers are asked to identify any budget savings or pressures. A number of budget reports are taken to committees and for the 2022/23 budget a member budget task and finish group was established which held a number of budget scrutiny meetings. This is likely to continue for future years' budget setting.</p>

Appendix A - Summary of arrangements

Governance (continued)

We set out below the arrangements for the governance criteria covering the year 2022/23.

Reporting criteria considerations

How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed

Arrangements in place

The Council has in place a budget monitoring timetable which is communicated to all budget managers, and this includes the deadlines for entering their forecast information, reporting to Senior Leadership Team (SLT), Members etc. Similarly, the performance team has in place a timetable for reporting of activity and performance indicators. As set out above, the latter includes comments from Services, Directors, Finance and Assurance colleagues to ensure a read across.

The work of Internal Audit is then pivotal to ensure we have a robust control framework within services to ensure we have the grip we need to. Through this approach the SLT are able to ensure we have assurance of what is being reported is as accurate as it can be and allows the Council to meet its statutory reporting requirements, financial and non-financial.

Regular budget monitoring meetings are held between Finance Business Partners and budget managers. Monthly budget monitoring reports are prepared for Corporate Management Team and quarterly budget monitoring reports are prepared for Cabinet. Budget monitoring highlights any issues to enable corrective action to be taken where appropriate.

How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee

Standard report templates require officers to consider legal, financial, risk management, security & terrorism, procurement, climate change and equality & diversity implications together with the links to corporate priorities. Published papers and minutes evidence the challenge made by committee members and the transparency in decision making. The Council complies with the Local Government Transparency Code and publishes information online including other information frequently requested by customers.

All reports are published on the Council's website under the appropriate Committee. Reports are standardised and are written in a fair, balanced and understandable style. In terms of procurement, the Council's constitution includes the procurement standing orders which sets out the framework for procurement, including financial limits for delegations, and the procurement approach based on the value of the contract. Purchase orders are controlled electronically, and limits for these follow the procurement standing orders and financial regulations. The Council has a no-po no pay policy to prevent invoices being paid which have not been through the procurement process. All key procurements are overseen by a member procurement board. These boards are supported by the procurement manager, relevant officers and professional advice as required.

The procurement team undertake analysis on Council spend to identify where consolidated supplier spend is reaching or over the approved limits for procurement, and action taken if a procurement or additional decision is required.

Appendix A - Summary of arrangements

Governance (continued)

We set out below the arrangements for the governance criteria covering the year 2022/23.

Reporting criteria considerations

How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests)

Arrangements in place

The Council's Code of Conduct is a comprehensive document, providing advice on the disclosure of gifts and hospitality as well as other interests. This extends to dealing with allegations of breach of the Code and ensures that Members of the Council have access to training and advice on the Code of Conduct. Essentially, the Committee promotes the code of conduct for Members and monitors adherence to it.

The Constitution provides safeguards as do the management assurance statements provided by all senior managers, and the annual governance statement. The S151 and monitoring officers declare in the quarterly monitoring reports if there have been any known breaches of the constitutional procedure rules. This quarterly monitoring report is considered by the Cabinet. Staff also complete declaration of interest as part of closedown and attend trainings where necessary. The Standards Committee has responsibility for approving policies around standards and has oversight of these.

Internal audit and risk management processes provide further monitoring and assurance, as do the Council's procedures for investigating and reporting on any alleged breaches.

Appendix A - Summary of arrangements

Governance (continued)

We set out below the arrangements for the governance criteria covering the year 2022/23.

Reporting criteria considerations

Arrangements in place

How financial and performance information has been used to assess performance to identify areas for improvement

The Council receives reports on performance in key areas which outline the current performance against planned targets and outcomes and highlight any instances of overspend or underspend. Sub-Committee structures are also in place to maintain general oversight and provide guidance on improvement plans.

The Council's Annual Report and Annual Governance Statement also set out the review of performance for the year. The SLT reviews monthly the financial and performance information of the Council. Included periodically is benchmarking reports completed internally and externally which are used as a line of enquiry to identify where improvements can be made to operational performance or financial performance, ideally a financial saving but sometimes this identifies growth assumptions.

Through this work performance indicators for subsequent years are developed and enhanced to continually improve. Cabinet members meet regularly with Directors to discuss corporate targets and priorities. Member Performance clinics, quarterly budget monitoring reported to Members.

How the body evaluates the services it provides to assess performance and identify areas for improvement

Corporate Leadership Team reviews monthly the financial and performance information of the Council. Included periodically is benchmarking reports completed internally and externally which we use as a line of enquiry to identify where improvements can be made to operational performance or financial performance, ideally a financial saving but sometimes this identifies growth assumptions.

The internal auditor also reviews the performance of different services.

The Council engages with stakeholders, e.g. survey regarding the Corporate Plan - 'Your Welwyn Hatfield' survey. An annual action plan is developed and monitored against. The Council positively manages performance to show how its areas of work are progressing and measure achievement for improvement. All performance data including the performance monitoring report and corporate plan are reported to Senior Management and elected members on a regular basis.

How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve

The Council has a process of benchmarking and collaborative working. The Council has in a place a number of strategic partnerships, the main being with Hatfield Renewal Partnership (HRP), The Community Safety Partnership (CSP), Welwyn Garden City Business Improvement District (BID) partnership, and Hertfordshire Growth Board (HGB). The Council's approaches to these differ, along with details of how they engage with residents.

Through Partnership Boards performance is monitored and evaluated to ensure as a 'system' where the Council has direct or indirect control and influence to support the wider outcomes for the Borough.

Appendix A - Summary of arrangements

Improving economy, efficiency and effectiveness (continued)

We set out below the arrangements for improving economy, efficiency and effectiveness criteria covering the year 2022/23.

Reporting criteria considerations	Arrangements in place
How the body ensures that commissioning and procuring services is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits	Contract Procedure Rules are followed, regular budget monitoring assesses contract costs and savings made against budgeted savings. At least quarterly, a review is undertaken of spend against contracts.

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