



Welwyn Hatfield
Borough Council
Audit results report
Year ended 31 March 2022

19 January 2024



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AL8 6AE

January 2024

Dear Audit Committee Members

We are pleased to attach our Audit Results Report for the forthcoming meeting of the Audit Committee. We have substantially completed our audit of Welwyn Hatfield Borough Council for the year ended 31 March 2022. This report summarises our preliminary conclusions in relation to the audit.

The audit is designed to express an opinion on the 2021/22 financial statements and address current statutory and regulatory requirements. This report contains our findings related to the areas of audit emphasis, our views on accounting policies and judgements and material internal control findings. Each year sees further enhancements to the level of audit challenge and the quality of evidence required to achieve the robust professional scepticism that society expects. We thank the management team for supporting this process

Subject to concluding the outstanding matters referenced in our report, we confirm that we expect to issue an unqualified audit opinion on the financial statements in the form at Section 3. We are proposing no qualifications or modifications to our audit report.

This report is intended solely for the use of the Audit Committee, other members of the Council, and senior management. It should not be used for any other purpose or given to any other party without obtaining our written consent.

We would like to thank your staff for their help during the engagement and welcome the opportunity to discuss the contents of this report with you at the Audit Committee meeting on 30 January 2024.

Yours sincerely

Andrew Brittain

Partner

For and on behalf of Ernst & Young LLP

Contents



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/audit-quality/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 the 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 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 the 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.



01 Executive Summary



Executive Summary

Scope update

In our audit planning report tabled in January 2023 Audit Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan, with no exceptions noted.

No changes in materiality:

In our Audit Planning Report, we communicated that our audit procedures would be performed using a materiality of £2.63 million, with performance materiality, at 75% of overall materiality, of £1.97 million, and a threshold for reporting misstatements of £0.13 million. We have not identified any factors or conditions about the entity or its environment that would cause us to determine that this level of materiality is inappropriate.

Audit differences

We did identify a small number of misstatements – both corrected and uncorrected. Please refer to pages 22-24 for details.

Areas of audit focus

Our Audit Planning Report identified key areas of focus for our audit of Welwyn Hatfield Borough Council's financial statements. This report sets out our observations and conclusions, including our views on areas which might be conservative, and where there is potential risk and exposure. We summarise our consideration of these matters, and any others identified, in the "Areas of audit focus" section of this report.

We ask you to review these and any other matters in this report to ensure:

- There are no other considerations or matters that could have an impact on these issues
- You agree with the resolution of the issue
- There are no other significant issues to be considered.

There are no matters, apart from those reported by management or disclosed in this report, which we believe should be brought to the attention of the Audit Committee.

Control observations

Although our audit was not designed to express an opinion on the effectiveness of internal control, to date, we have not identified any deficiency in the operation of an internal control that could have resulted in a material misstatement in your financial statements.

Executive Summary

Auditor responsibilities under the new Code of Audit Practice 2020

Under the Code of Audit Practice 2020 we are still required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. The 2020 Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to the Council a commentary against specified reporting criteria (see below) on the arrangements the Council has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The specified reporting criteria are:

- Financial sustainability
How the Council plans and manages its resources to ensure it can continue to deliver its services;
- Governance
How the Council ensures that it makes informed decisions and properly manages its risks; and
- 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.

Value for Money

Our Value for Money work concludes at the point we sign our audit opinion. To date, we haven't observed any significant weakness in respect of the three specified reporting criteria.

As a result, we currently have no matters to report by exception in the audit opinion (see Section 03) or in the our VfM commentary within Auditor's Annual Report (AAR). We have communicated to you formally that the NAO has allowed for the AAR to be provided up to three months after signing the accounts.

Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Council. We have no matters to report as a result of this work.

We will perform the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission.

We have no other matters to report.

Independence

Please refer to Section 09 for our update on Independence.

Executive Summary

Status update

We have substantially completed our audit of WHBC's financial statements for the year ended 31 March 2022 and have performed the procedures outlined in our Audit Planning Report. Subject to satisfactory completion of the outstanding items we expect to issue an unqualified opinion on the Council and Groups' financial statements. However until all work is signed off, further amendments may arise.

Given that the audit process is still ongoing, we will continue to challenge the remaining evidence provided and the final disclosures in the Accounts which could influence our final audit opinion.

Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review, and the nature of our report, is specified by the National Audit Office.

We will submit the return required by the National Audit Office (NAO) in respect of the Whole of Government Accounts (WGA) at the same time as issuing our auditor's report. The Council is below the threshold for full WGA procedures, so no further work is required at this time. However, there is a possibility that we will need to complete additional procedures at the request of the NAO for the WGA. The NAO has not yet confirmed which bodies this will impact and currently there is no confirmed timescale for this.

We will report any matters arising to the Audit Committee, and certify the completion of the audit after these procedures are completed.



02 Areas of Audit Focus



Areas of Audit Focus

Significant risk

Misstatements due to fraud or error (Fraud Risk)

What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

What judgements are we focused on?

We focused our testing on accounting estimates which include pension liability, property valuation, and bad debts provision. Also performing mandatory procedures including testing of journal entries.

What did we do?

This is a risk that we recognise on all engagements. Our overall response to this for Welwyn Hatfield Borough Council was:

- Identifying fraud risks during the planning stages.
- Inquiry of management about risks of fraud and the controls put in place to address those risks.
- Understanding the oversight given by those charged with governance of management's processes over fraud.
- Consideration of the effectiveness of management's controls designed to address the risk of fraud. Determining an appropriate strategy to address those identified risks of fraud.
- Performing mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements, assessing accounting estimates for evidence of management bias and evaluating the business rationale for significant and unusual transactions.
- Utilising our data analytics capabilities to assist with our work.

What are our conclusions?

We have not identified any material weaknesses in controls or evidence of material management override.

We have not identified any instances of inappropriate judgements being applied or other management bias both in relation to accounting estimates and other balances and transactions. Please also see pages 11-12 for our conclusion on property valuation and pension liability.

We did not identify any other transactions during our audit which appeared unusual or outside the Council's normal course of business



Areas of Audit Focus

Significant risk

Inappropriate capitalisation of revenue expenditure (Fraud Risk)

What is the risk?

Linking to our risk of misstatements due to fraud and error, we have considered the capitalisation of revenue expenditure on property, plant and Equipment, investment properties as a specific area of risk. The Council has a significant fixed asset base and a material capital programme and therefore has the potential to materially impact the revenue position through inappropriate capitalisation. Inappropriate capitalisation of revenue expenditure would decrease the net expenditure from the general fund, and increase the value of non-current assets.

What judgements are we focused on?

Whether management have appropriately classified expenditure as capital in nature

What did we do?

We will take a substantive approach to respond to the specific risk, undertaking the following procedures related to the incorrect capitalisation of revenue expenditure:

- Test a sample of capital expenditure at a lower testing threshold to verify that revenue costs have not been inappropriately capitalised;
- Our testing will examine invoices, capital expenditure authorisations, leases and other data that support capital additions. We will review the sample selected against the definition of capital expenditure in IAS16.
- As part of our journal testing strategy, we will review unusual journal pairings related to capital expenditure posted around the year-end i.e. where the debit is to capital expenditure and the credit to income and expenditure.

What are our conclusions?

We have not identified any revenue items that have been inappropriately capitalised from our substantive testing.



Areas of Audit Focus

Significant risk

Risk of error in the valuation of Other L&B, and Investment Property

What is the risk?

Valuation of Land and Buildings
Property, plant and equipment (PPE) and Investment Property assets represents a significant balance in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Material judgemental inputs and estimation techniques are required to calculate the year-end asset property valuations held on the balance sheet. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of experts and assumptions underlying fair value estimates. As at 31 March 2022 the value of the Council's PPE was £1,219 m and Investment Properties £6 m. Due to significant economic uncertainty caused by the Covid-19 pandemic there is an increased risk that asset valuations (based on market conditions) may be materially misstated.

What judgements are we focused on?

We focused on aspects of the land and buildings valuation which could have a material impact on the financial statements, primarily:

- Harder to value assets – such as Leisure Centres which are valued on a depreciated replacement cost basis;
- High value assets carried at fair value;
- the assumptions and estimates used to calculate the valuation; and
- changes to the basis for valuing the assets.

What did we do?

Our work in this area remains in progress and involves:

- Considering the work performed by the Council's valuer, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work.
- Consulting with the EY Real Estates team on significant assets and identifying whether key assumptions or the valuation methodology of assets has changed and understanding the rationale;
- Testing inputs into a sample of valuations to ensure that they are appropriate and supportable;
- Review assets not subject to valuation in 2021/22 to confirm that the remaining asset base is not materially misstated and;
- Testing accounting entries have been correctly processed in the financial statements.

What are our conclusions?

With the assistance of our specialist, EY Real Estates, we have reviewed the significant assumptions used by the Council's valuer, the valuation of all the properties tested fall within an acceptable and supportable range barring for three below which are not material but above our reporting threshold and remain uncorrected at the date of this report.

1. We identified one misstatement with regards to the overvaluation of the investment property due to overvaluation of the ground rents used in the valuation calculation. Amount £312,431.
2. We have identified two misstatements of overvaluation of PPE:
 - a.) Overvaluation of PPE due to not adjusting for purchaser's costs (Fiddlebridge). Amount £330,000.
 - b.) Overvaluation of PPE due to yield used by valuer that is unsupported (Stonehills). Amount £310,000.Additionally two factual errors were identified in relation to differences between the Fixed Asset Register and valuation of PPE (Dwellings), net impact of £275,882, and one relating to the reclassification of PPE additions to Intangible assets (£205,773).

Further details of these differences can be found in section 04. There were no other issues arising from our work therefore we are content that PPE and IP valuations are fairly stated in the accounts



Areas of Audit Focus

Other areas of audit focus

Pension net liability valuation

What is the risk?

The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding the Local Government Pension Scheme (LGPS) in which it is an admitted body. The Council's current pension fund deficit is a material and sensitive item and the Code requires that this liability be disclosed on the Council's balance sheet.

The Council's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. At 31st March 2022 this totalled £41,877k.

The information disclosed is based on the IAS 19 report issued to the Council by the Actuary. Accounting for this scheme involves significant estimation and judgement and due to the nature, volume and size of the transactions, in the current uncertain economic environment, we consider this to be a higher inherent risk.

What judgements are we focused on?

We focused on aspects of the pension liability which could have a material impact on the financial statements, primarily:

- significant assumptions and changes in assumptions made by the actuary;
- the assessments of the actuaries' work.

What did we do?

- Liaised with the auditors of Hertfordshire Pension Fund, to obtain assurances over the information supplied to the actuary in relation to Welwyn Hatfield BC;
- Assessed the work of the Pension Fund actuary (Hymans Robertson) including the assumptions they have used, by relying on the work of PwC - Consulting Actuaries commissioned by the National Audit Office for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team;
- Considered the nature and value of level 3 investments held by Hertfordshire Pension Fund and the proportion of the overall Fund relating to Welwyn Hatfield Borough Council in order to identify any additional procedures required to support the estimates of the valuation of these asset as at 31 March 2022;
- Reviewed and test the accounting entries and disclosures made within the Council's financial statements in relation to IAS19;
- In response to the revised requirements of ISA540, the auditing standard on accounting estimates, we amended our audit approach based on procedures to evaluate management's process. The revised standard requires auditors to test the method of measurement of accounting estimates to determine whether the model is appropriately designed, consistently applied and mathematically accurate, and that the integrity of the assumptions and the data has been maintained in applying the model. Neither we, nor PwC as consulting actuaries commissioned by the NAO, are able to access the detailed models of the actuaries in order to evidence these requirements. Therefore, we modified our planned approach and undertook alternate procedures to create an auditor's estimate, to provide a different method of gaining assurance. We employed the services of an EY Pensions specialist to review the Council's IAS19 reports and run a parallel actuarial model which was compared to that produced by the actuary.



Areas of Audit Focus

Pension net liability valuation (continued)

What are our conclusions?

We have completed our programme of work on the pension liability valuation.

The additional procedures in response to the revised requirements of ISA 540 confirmed there was no material misstatement arising from those estimation procedures undertaken by the actuary.

While the 2021/22 audit was in progress, the updated triennial valuation as at 31 March 2022 was finalised and issued. As this was potentially an adjusting post balance sheet event, we asked the Council to obtain an updated IAS19 valuation report based on the revised underlying data and assumptions used in the triennial valuation as at 31 March 2022. Guidance is for both preparers and auditors to consider the impact of the updated valuation. The updated report confirmed that the pension liability had increased by £931k, as a result of the updated inputs into the actuarial calculation. Management has adjusted the accounts to reflect the revised liability.

Based on the procedures performed, we have not identified any further misstatements and can conclude that net pension liability is fairly stated after the adjustments were made.



Areas of Audit Focus

Other areas of audit focus

What is the risk/area of focus?

Going Concern disclosures

There is a presumption that the Council will continue as a going concern for the foreseeable future. However, the Council is required to carry out a going concern assessment that is proportionate to the risks it faces. In light of the continued impact of Covid-19 and the inflation on the Council's day to day finances, its annual budget, its cashflow and its medium term financial strategy, there is a need for the Council to ensure its going concern assessment is thorough and appropriately comprehensive.

The Council is then required to ensure that its going concern disclosure within the statement of accounts adequately reflects its going concern assessment and in particular highlights any uncertainties it has identified.

CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 sets out that organisations that can only be discontinued under statutory prescription shall prepare their accounts on a going concern basis.

However, International Auditing Standard 570 *Going Concern*, as applied by Practice Note 10: *Audit of financial statements of public sector bodies in the United Kingdom*, still requires auditors to undertake sufficient and appropriate audit procedures to consider whether there is a material uncertainty on going concern that requires reporting by management within the financial statements, and within the auditor's report. We are obliged to report on such matters within the section of our audit report 'Conclusions relating to Going Concern'.

To do this, the auditor must review management's assessment of the going concern basis applying IAS1 Presentation of Financial Statements.

The auditor's report in respect of going concern covers a 12-month period from the date of the report, therefore the Council's assessment will also need to cover this period and their ability to continue with providing services

What did we do and our conclusions?

Our audit procedures were to:

- Obtain management's going concern assessment and review for any evidence of bias and consistency with the accounts;
- Review the financial modelling and forecasts prepared by the Council. This considered key assumptions, stress testing applied to those assumptions and considered the risk to cashflow up to at least 12 months after the signing date of the accounts and opinion;
- Ensure that an appropriate going concern disclosures have been made within the financial statements; and
- Consider the impact on our audit report and comply with EY consultation requirements.

Conclusion

Our work on going concern is ongoing until the point of signing the accounts. To date, we have not identified any information that would contradict management's assessment to prepare the accounts on a going concern basis and that therefore, in line with the requirements, the related disclosures are reasonable.



Areas of Audit Focus

Other areas of audit focus

What is the risk/area of focus?

Understatement of Provisions

The revised ISA 540 (Estimates standard) requires auditors to consider inherent risks associated with the production of accounting estimates. These could relate, for example, to the complexity of the method applied, subjectivity in the choice of data or assumptions or a high degree of estimation uncertainty. As part of this, auditors consider risk on a spectrum (from low to high inherent risk) rather than a simplified classification of whether there is a significant risk or not. At the same time, we expect the number of significant risks we report in respect of accounting estimates to increase as a result of the revised guidance in this area.

In considering how the risk of management override may present itself, we conclude that another opportunity for management to override controls and manipulate the financial position is through the understatement of provisions.

WHBC has a number of material provisions including the NNDR appeals provision (£1.8m as at 31st March 2022) and the bad debt provision (£2.3m as at 31st March 2022). Judgment is used in valuation of the provision and with high financial pressures to stay within budget, management have an incentive to manipulate provisions to reduce the revenue impact.

What did we do and our conclusions?

Our approach has focused on:

- Comparing provisions made in 2020/21 against provisions made in 2021/22 and obtaining robust explanations and supporting evidence for any material movements
- Comparing the full debtors listing to the bad debt provision to investigate areas where no provision or a low % provision has been made.
- Comparing % provided in each debtors category to other similar authorities that we have access to through our audit network to assess whether percentages are in line with the market and that the Council are not aggressively understating the bad debt provision.
- Placing reliance on the work of management's specialist and reviewing the calculation of the NDR appeals provision to supporting evidence, and assessing the reasonableness of the calculation.
- Sample testing payments from the post YE- bank statements at a lower testing threshold for periods closed to the year end to identify any liabilities not accounted for within the financial statements.
- As part of our journal testing strategy, we reviewed unusual journals related to provisions around the year-end; for example where the debit is to provisions and the credit to expenditure.

Conclusion:

Based on the procedures performed, we have not identified any further misstatements and can conclude that provisions are fairly stated.



03 Audit Report



Audit Report

Our opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WELWYN HATFIELD BOROUGH COUNCIL

Opinion

We have audited the financial statements of Welwyn Hatfield Borough Council ('the Council') for the year ended 31 March 2022 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Authority and Group Movement in Reserves Statement,
- Authority and Group Comprehensive Income and Expenditure Statement,
- Authority and Group Balance Sheet,
- Authority and Group Cash Flow Statement,
- Authority and Group Expenditure and Funding Analysis,
- the related notes 1 to 33,
- Group Financial Statements
- Collection Fund and the related notes C1 and C2;
- Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and the related notes H1 to H6

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

In our opinion the financial statements:

- give a true and fair view of the financial position of Welwyn Hatfield Borough Council and Group as at 31 March 2022 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Council and Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Chief Financial Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the authority's ability to continue as a going concern for a period of at least twelve months from the date when the financial statements are authorised for issue from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Chief Financial Officer with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the authority's ability to continue as a going concern.

Other information

The other information comprises the information other than the financial statements and our auditor's report thereon. The Chief Financial Officer is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.



Audit Report

Draft audit report

Our opinion on the financial statements

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014;
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014;
- we are not satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

We have nothing to report in these respects.

Responsibility of the Chief Financial Officer

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities set out on page 114, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022), and for being satisfied that they give a true and fair view and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



Draft audit report

Our opinion on the financial statements

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

We obtained an understanding of the legal and regulatory frameworks that are applicable to Welwyn Hatfield Borough Council and determined that the most significant are:

- o Local Government Act 1972,
- o Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992),
- o Local Government and Housing Act 1989 (England and Wales)
- o Local Government Act 2003,
- o The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 as amended in 2018 and 2020,
- o Planning Act 2008 and the Community Infrastructure Levy Regulations 2010 (SI 2010/948),
- o Business Rate Supplements Act 2009,
- o The Local Government Finance Act 2012,
- o The Local Audit and Accountability Act 2014, and
- o The Accounts and Audit Regulations 2015

In addition, the Authority has to comply with laws and regulations in the areas of anti-bribery and corruption, data protection, employment legislation, tax legislation, general power of competence, procurement and health & safety.

- We understood how Welwyn Hatfield Borough Council is complying with those frameworks by understanding the incentive, opportunities and motives for non-compliance, including inquiring of management, the head of internal audit, those charged with governance, and the monitoring officer; and obtaining and reading documentation relating to the procedures in place to identify, evaluate and comply with laws and regulations, and whether they are aware of instances of non-compliance. We corroborated this through our reading of the Authority's committee minutes, through enquiry of employees to confirm Authority policies, and through the inspection of employee handbooks and other information. Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures had a focus on compliance with the accounting framework through obtaining sufficient audit evidence in line with the level of risk identified and with relevant legislation.
- We assessed the susceptibility of Welwyn Hatfield Borough Council's financial statements to material misstatement, including how fraud might occur by understanding the potential incentives and pressures for management to manipulate the financial statements, and performed procedures to understand the areas in which this would most likely arise. Based on our risk assessment procedures, we identified inappropriate capitalisation of revenue expenditure and management override of controls to be our fraud risks.
- To address our fraud risk of inappropriate capitalisation of revenue expenditure we tested the Authority's capitalised expenditure to ensure the capitalisation criteria were properly met and the expenditure was genuine.
- To address our fraud risk of management override of controls, we tested specific journal entries identified by applying risk criteria to the entire population of journals. For each journal selected, we tested specific transactions back to source documentation to confirm that the journals were authorised and accounted for appropriately.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.



Audit Report

Draft audit report

Our opinion on the financial statements

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General (C&AG) in April 2021, as to whether Welwyn Hatfield Borough Council had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Welwyn Hatfield Borough Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

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

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

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

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Authority's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or our work on value for money arrangements.

Use of our report

This report is made solely to the members of Welwyn Hatfield Borough Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Andrew Brittain (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Reading
[Date]



04 Audit Differences



Audit Differences

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as “known” or “judgemental”. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

Summary of Audit differences

We identified the following misstatements.

Corrected:

- At the time the financial statements were prepared, WHBC the results of the 2022 triennial valuation for the pension scheme had not been issued. The triennial valuation was issued in March 2023, and as a result, changes were made to the IAS19 report and the disclosures in the financial statements. The Net Pension Liability increased by £931k.

Uncorrected (refer slide 23 & 24):

- Reclassification within the balance sheet of fixed asset additions incorrectly classified under PPE instead of intangible assets. Value of £205,773.
- PPE - Overvaluation of PPE due to not adjusting for purchaser's costs (Fiddlebridge) by £330,000.
- PPE - Overvaluation of PPE due to a yield used by valuer that is not supportable (Stonehills) by £310,000.
- Investment property - Overvaluation of investment property due to overvaluation of the Ground Rents used in the valuation calculation by £312,431.
- Understatement of PPE (Dwellings) due to incorrect reconciliation between valuation report and FAR by £541,407.
- Overstatement of PPE (Dwellings) due to double counting of element of equity shared housing in the FAR by £265,525.

Uncorrected Disclosure misstatement

Note 14 - PPE Dwellings understated by £367,111 and AUC overstated by the same amount due to assets classified as AUC which should be within PPE Dwellings.

Corrected misstatements in disclosures - Various amendments to disclosures were identified and have been shared with the officers and they have been updated in the final version of the financial statements.



Audit Differences

Summary of unadjusted differences

In addition, we highlight the following misstatements to the financial statements and/or disclosures which were not corrected by management. We request that these uncorrected misstatements be corrected or a rationale as to why they are not corrected be considered and approved by Welwyn Hatfield Borough Council and provided within the Letter of Representation:

Uncorrected misstatements 31 st March 2022 (£)			
Description	Assets non-current Debit/ (Credit)	Income statement effect on the current period Debit/ (Credit)	Effect on the current period OCI Debit/ (Credit)
Reclassification Misstatements (a)			
PPE additions - one key item (£205,773) included in PPE additions but should be within intangibles.			
Intangibles	205,773		
PPE	(205,773)		
Judgemental Misstatements (b)			
Overvaluation of PPE due to not adjusting for purchaser's costs (Fiddlebridge). Asset has a revaluation reserve, and therefore the adjustment is through equity.			
PPE	(330,000)		
OCI			330,000
Judgemental Misstatements (c)			
Overvaluation of PPE due to yield used by valuer that is unsupported (Stonehills). Asset does not have a revaluation reserve, and therefore the adjustment is through the CIES.			
PPE	(310,000)		
CIES		310,000	



Audit Differences

Summary of unadjusted differences

In addition, we highlight the following misstatements to the financial statements and/or disclosures which were not corrected by management. We request that these uncorrected misstatements be corrected or a rationale as to why they are not corrected be considered and approved by Welwyn Hatfield Borough Council and provided within the Letter of Representation:

Uncorrected misstatements 31 st March 2022 (£)			
Description	Assets non-current Debit/ (Credit)	Income statement effect on the current period Debit/ (Credit)	Effect on the current period OCI Debit/ (Credit)
Factual Misstatements (d)			
Investment Property - Overvaluation of investment property due to Overvaluation of the Ground Rents used in the valuation calculation			
Investment Property	(312,431)		
CIES		312,431	
Factual Misstatements (e)			
Understatement of PPE (Dwellings) due to incorrect reconciliation between valuation report and FAR. Asset has no revaluation reserve, so the adjustment is through the CIES.			
PPE	541,407		
CIES		(541,407)	
Factual Misstatements (f)			
Overstatement of PPE (Dwellings) due to double counting of element of equity shared housing in the FAR.			
PPE	(265,525)		
CIES		34,363	
OCI			231,162



05

Value for Money



Value for Money

The Council's responsibilities for value for money

The Council is required to maintain an effective system of internal control that supports the achievement of its policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at its disposal.

As part of the material published with its financial statements, the Council is required to bring together commentary on its governance framework and how this has operated during the period in a governance statement. In preparing its governance statement, the Council tailors the content to reflect its own individual circumstances, consistent with the requirements of the relevant accounting and reporting framework and having regard to any guidance issued in support of that framework. This includes a requirement to provide commentary on its arrangements for securing value for money from their use of resources.

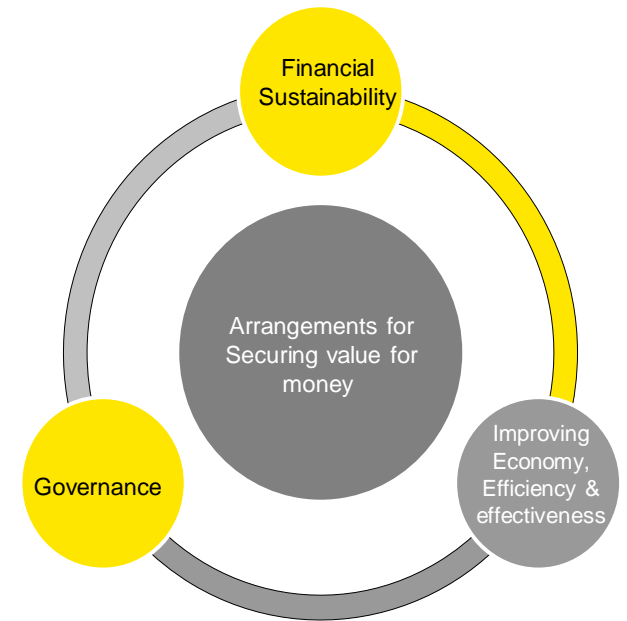
Risk assessment

Throughout our audit we have performed a risk assessment in relation to the arrangements in place. This risk assessment looked at whether there was any risk of significant weaknesses in the VfM arrangements.

Status of our VfM work

Whilst the completion of our VfM work coincides with the signing of our audit opinion, at this point we have not identified a significant weakness in arrangements that we would be required to report on.

As a result, we currently have no matters to report by exception in the audit opinion (see Section 03) or in the our VfM commentary within Auditor's Annual Report (AAR). The AAR will be issued within three months from the date of the signing of the 2021/22 audit opinion.





06 Other reporting issues

Other reporting issues

Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the Statement of Accounts for the year ended 2021/22 with the audited financial statements.

We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

Financial information in the Statement of Accounts for the year ended 2021/22 and published with the financial statements was consistent with the audited financial statements.

We have reviewed the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements and we have no other matters to report.

Other reporting issues

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Council to consider it or to bring it to the attention of the public (i.e. "a report in the public interest"). We did not identify any issues which required us to issue a report in the public interest.

We also have a duty to make written recommendations to the Council, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. We did not identify any issues.

Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Council's financial reporting process. They include the following:

- Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- Any significant difficulties encountered during the audit;
- Any significant matters arising from the audit that were discussed with management;
- Written representations we have requested;
- Expected modifications to the audit report;
- Any other matters significant to overseeing the financial reporting process;
- Findings and issues around the opening balance on initial audits (if applicable);
- Related parties;
- External confirmations;
- Going concern;
- Consideration of laws and regulations; and
- Group audits

We have no matters to report.



07

Assessment of Control Environment



Assessment of Control Environment

Financial controls

It is the responsibility of the Council to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Council has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls.

Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you internal controls that require certain improvements.

We have not identified any issues that can be reported here as an internal control deficiency.



08 Data Analytics



Use of Data Analytics in the Audit

Data analytics

Analytics Driven Audit

Data analytics

We used our data analysers to enable us to capture entire populations of your financial data. These analysers:

- Help identify specific exceptions and anomalies which can then be the focus of our substantive audit tests; and
- Give greater likelihood of identifying errors than traditional, random sampling techniques.

In 2021/22, our use of these analysers in the Council's audit included testing journal entries and employee expenses, to identify and focus our testing on those entries we deem to have the highest inherent risk to the audit.

We capture the data through our formal data requests and the data transfer takes place on a secured EY website. These are in line with our EY data protection policies which are designed to protect the confidentiality, integrity and availability of business and personal information.

Journal Entry Analysis

We obtain downloads of all financial ledger transactions posted in the year. We perform completeness analysis over the data, reconciling the sum of transactions to the movement in the trial balances and financial statements to ensure we have captured all data. Our analysers then review and sort transactions, allowing us to more effectively identify and test journals that we consider to be higher risk, as identified in our audit planning report.

Payroll Analysis

We also use our analysers in our payroll testing. We obtain all payroll transactions posted in the year from the general ledger. We then analyse the data against a number of specifically designed procedures. These include analysis of payroll costs by month to identify any variances from established expectations, as well as more detailed transactional interrogation.



09

Independence

Confirmation of independence and analysis of audit fees

We confirm there are no changes in our assessment of independence since our confirmation in our audit planning report dated March 2022.

We complied with the APB Ethical Standards. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter that should be reviewed by both you and ourselves. It is therefore important that you and your Audit Committee consider the facts of which you are aware and come to a view. If you wish to discuss any matters concerning our independence, we will be pleased to do so at the forthcoming meeting of the Audit Committee on 30 January 2024.

As part of our reporting on our independence, we set out below a summary of the fees for the year ended 31 March 2022.

	Planned fee 2021/22	Scale fee 2020/21	Final Fee 2020/21
	£	£	£
Total Fee – Code work	74,921 (Note 3)	47,921	100,941 (Note 1)
Total audit	TBC	47,921	74,921
Other non-audit services - Housing Benefits	N/A	N/A	TBC (Note 2)
Other non-audit services – Housing pooling	N/A	N/A	5,000
Total other non-audit services	N/A	N/A	TBC

NOTES:

- (1) The 20/21 Code work includes an additional fee of £53,020, for additional work related to group audit work, additional value for money work, elector correspondence, change in valuation method of PPE, response to Covid-19, and changes in work required to address professional and regulatory requirements. We have agreed the variation with officers, and it has been approved by the PSAA.
- (2) The 20/21 housing benefit work is yet to be completed.
- (3) For 2021/22 the scale fee represents the base fee, which we have revised on an ongoing and recurring basis, by the £27,000 previously agreed for 2020/21, as the regulatory changes remain in force. The fee is also impacted by factors as set out below that resulted in additional work not considered in the setting of the (revised) scale fee.

2021/22 additional scope of work:

We are not yet able to provide a final fee for the 2021/22 audit as at the time of writing the audit is not fully complete.

The areas in which we have completed additional work, that are outside the scope included in the Scale Fee as set by PSAA, are listed below and as such we will be proposing a fee variation to the scale fee in relation to:

- The impact of the revised ISAs in respect of Estimates and Going Concern, including the additional work required on the actuarial model
- Additional procedures in relation to COVID-19 and in particular the areas highlighted on grants
- The new NAO code covering the additional value for money requirements
- Work on the group consolidation and audit of the group financial statements
- Incremental work to cover the PPE additions sample, the valuation of PPE, including the use of specialists and the ongoing impact of the technical issues relating to Infrastructure Assets
- Additional work on the pension liability as a result of the completion of the 2022 Triennial Valuation.
- Dealing with a series of elector's correspondence

Once we have completed the audit we will assess the final fee, discuss with management and provide an update to the Audit Committee, and present to PSAA for determination.

Independence

Relationships, services and related threats and safeguards

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and your Council, senior management and its affiliates, including all services provided by us and our network to your Council, 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 1 April 2020 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Other communications

EY Transparency Report 2021

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](#)



10 Appendices

Appendix A

Audit approach update

We summarise below our approach to the audit of the balance sheet and any changes to this approach from the prior year audit.

Our audit procedures are designed to be responsive to our assessed risk of material misstatement at the relevant assertion level. Assertions relevant to the balance sheet include:




- Existence: An asset, liability and equity interest exists at a given date
- Rights and Obligations: An asset, liability and equity interest pertains to the entity at a given date
- Completeness: There are no unrecorded assets, liabilities, and equity interests, transactions or events, or undisclosed items
- Valuation: An asset, liability and equity interest is recorded at an appropriate amount and any resulting valuation or allocation adjustments are appropriately recorded
- Presentation and Disclosure: Assets, liabilities and equity interests are appropriately aggregated or disaggregated, and classified, described and disclosed in accordance with the applicable financial reporting framework. Disclosures are relevant and understandable in the context of the applicable financial reporting framework

Balance sheet category	Audit Approach in current year	Audit Approach in prior year	Explanation for change
Trade receivables	Substantively tested all relevant assertions	Substantively tested all relevant Assertions	No change
Property, plant and equipment	Fully substantive approach. Engage with EY Real Estate	Fully substantive approach. Engage with EY Real Estate	No change
Trade payables	Fully substantive approach	Fully substantive approach	No change
Cash and Investments	Substantively tested all relevant assertions	Substantively tested all relevant assertions	No change
Grants received in advance	Fully substantive approach	Fully substantive approach	
Pensions	Substantively tested all relevant assertions. We engaged EY Pensions to assist with reviewing actuary model.	Substantively tested all relevant assertions	We engaged our pensions specialists due to the requirements of ISA540 (revised)

Appendix B

Required communications with the Audit Committee

There are certain communications that we must provide to the Audit Committees of UK clients. We have detailed these here together with a reference of when and where they were covered:

 Our Reporting to you		
Required communications	 What is reported?	  When and where
Terms of engagement	Confirmation by the Audit Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Audit planning report – January 2023
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit planning report – January 2023
Significant findings from the audit	<ul style="list-style-type: none"> • Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures • Significant difficulties, if any, encountered during the audit • Significant matters, if any, arising from the audit that were discussed with management • Written representations that we are seeking • Expected modifications to the audit report • Other matters if any, significant to the oversight of the financial reporting process 	Audit results report – January 2024





Appendix B

		Our Reporting to you
Required communications	What is reported?	When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity’s ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> • Whether the events or conditions constitute a material uncertainty • Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements • The adequacy of related disclosures in the financial statements 	Audit results report – January 2024
Misstatements	<ul style="list-style-type: none"> • Uncorrected misstatements and their effect on our audit opinion • The effect of uncorrected misstatements related to prior periods • A request that any uncorrected misstatement be corrected • Material misstatements corrected by management 	Audit results report – January 2024
Subsequent events	<ul style="list-style-type: none"> • Enquiry of the Audit Committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements. 	Audit results report – January 2024
Fraud	<ul style="list-style-type: none"> • Enquiries of the Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Council • Any fraud that we have identified or information we have obtained that indicates that a fraud may exist • Unless all of those charged with governance are involved in managing the Council, any identified or suspected fraud involving: <ol style="list-style-type: none"> a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. • The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected • Any other matters related to fraud, relevant to Audit Committee responsibility. 	Audit results report – January 2024




Appendix B

		Our Reporting to you
Required communications	What is reported?	When and where
Related parties	<p>Significant matters arising during the audit in connection with the Council's related parties including, when applicable:</p> <ul style="list-style-type: none"> • Non-disclosure by management • Inappropriate authorisation and approval of transactions • Disagreement over disclosures • Non-compliance with laws and regulations • Difficulty in identifying the party that ultimately controls the Council 	Audit results report – January 2024
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence.</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> • The principal threats • Safeguards adopted and their effectiveness • An overall assessment of threats and safeguards • Information about the general policies and process within the firm to maintain objectivity and independence <p>Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p>	Audit planning report – January 2023 and Audit results report – January 2024
External confirmations	<ul style="list-style-type: none"> • Management's refusal for us to request confirmations • Inability to obtain relevant and reliable audit evidence from other procedures. 	Audit planning report – January 2023 and Audit results report – January 2024

Appendix B

		 Our Reporting to you
Required communications	 What is reported?	  When and where
Consideration of laws and regulations	<ul style="list-style-type: none"> • Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur • Enquiry of the Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit Committee may be aware of 	We have asked management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations.
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> • Significant deficiencies in internal controls identified during the audit. 	Audit results report – January 2024
Group Audits	<ul style="list-style-type: none"> • An overview of the type of work to be performed on the financial information of the components • An overview of the nature of the group audit team’s planned involvement in the work to be performed by the component auditors on the financial information of significant components • Instances where the group audit team’s evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor’s work • Any limitations on the group audit, for example, where the group engagement team’s access to information may have been restricted • Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements. 	Audit planning report – January 2023 and Audit results report – January 2024




Appendix B

		 Our Reporting to you
Required communications	 What is reported?	 When and where
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> Written representations we are requesting from management and/or those charged with governance 	Audit results report – January 2024
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none"> Material inconsistencies or misstatements of fact identified in other information which management has refused to revise 	Audit results report – January 2024
Auditors report	<ul style="list-style-type: none"> Any circumstances identified that affect the form and content of our auditor’s report 	Audit results report – January 2024
Fee Reporting	<ul style="list-style-type: none"> Breakdown of fee information when the audit planning report is agreed Breakdown of fee information at the completion of the audit Any non-audit work 	Audit planning report – January 2023 and Audit results report – January 2024 Annual auditors report – TBC
Value for money commentary	A commentary on the arrangements in place during 2021/22 to achieve value for money, and any recommendations we may make to improve those arrangements.	Annual auditors report – TBC

Appendix C

Outstanding matters

The following items relating to the completion of our audit procedures are outstanding at the date of the release of this report:

Item 	Actions to resolve 	Responsibility 
Clearance of queries arising from review by Partner and Manager	Agreement on resulting actions, including any remaining adjustments required	EY and Management
Completion of procedures required for whole of government accounts	Submission of assurance statement to be undertaken	EY
Completion of subsequent events review	Procedures performed up to the date of signing	EY and Management
Final version of financial statements	Review of final version of accounts	Management and EY
Receipt of the signed management representation letter	To be provided prior to final sign off of the audit opinion	s151/Chair of Audit Committee

DRAFT Management representation letter

Management Rep Letter

(To be prepared on the entity's letterhead)
[Date]

Ernst & Young
400 Capability Green
Luton
Bedfordshire
LU1 3LU

This letter of representations is provided in connection with your audit of the consolidated and council financial statements of Welwyn Hatfield Borough Council ("the Group and Council") for the year ended 31 March 2022. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the consolidated and council financial statements give a true and fair view of the Group and Council financial position of Welwyn Hatfield Borough Council as 31 March 2022 and of its financial performance (or operations) and its cash flows for the year then ended in accordance with, for the Group and the Council, the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

We understand that the purpose of your audit of our consolidated and council financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing, which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with, for the Group and Council, the Accounts and Audit Regulations 2015 and the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).
2. We acknowledge, as members of management of the Group and Council, our responsibility for the fair presentation of the consolidated and council financial statements. We believe the consolidated and council financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Group and Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022) and are free of material misstatements, including omissions. We have approved the consolidated and council financial statements.
3. The significant accounting policies adopted in the preparation of the Group and Council financial statements are appropriately described in the Group and Council financial statements.
4. As members of management of the Group and Council, we believe that the Group and Company have a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022) for the Group and Council that are free from material misstatement, whether due to fraud or error. We have disclosed to you any significant changes in our processes, controls, policies and procedures that we have made to address the effects of the COVID-19 pandemic and the effects of the conflicts and related sanctions in Ukraine, Russia and/or Belarus on our system of internal controls.

Management representation letter

Management Rep Letter

5. We believe that the effects of the unadjusted audit differences, summarised in this report, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statement as a whole

B. Non-compliance with laws and regulations, including fraud

1. We acknowledge that we are responsible to determine that the Group and Council's business activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws or regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
3. We have disclosed to you the results of our assessment of the risk that the consolidated and council financial statements may be materially misstated as a result of fraud.
4. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud, that may have affected the Group or Company (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:
 - Involving financial improprieties
 - Related to laws or regulations that have a direct effect on the determination of material amounts and disclosures in the consolidated and parent company financial statements
 - Related to laws or regulations that have an indirect effect on amounts and disclosures in the consolidated and parent company financial statements, but compliance with which may be fundamental to the operations of the Group and Company's business, its ability to continue in business, or to avoid material penalties
 - Involving management, or employees who have significant roles in internal control, or others

- In relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and all material transactions, events and conditions are reflected in the consolidated and council financial statements, including those related to the COVID-19 pandemic.
3. We have made available to you all minutes of the meetings of the Council and its relevant Committee (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: 30 January 2024.
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Group and Company's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the year ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the consolidated and council financial statements.

Management representation letter

Management Rep Letter

5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
6. We have disclosed to you, and the Group and Council has complied with, all aspects of contractual agreements that could have a material effect on the consolidated and council financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
7. From 11th July 2022 through the date of this letter we have disclosed to you any unauthorised access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material impact on the Group and Council financial statements, in each case or in the aggregate.

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the consolidated and council financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in note 32 to the financial statements all guarantees that we have given to third parties.

E. Going Concern

1. Note 2.11 to the Council's financial statements discloses all the matters of which we are aware that are relevant to the Group and Council's ability to continue as a going concern, including significant conditions

and events, our plans for future action, and the feasibility of those plans.

F. Subsequent Events

1. Other than as described in Note 6 to the consolidated and council financial statements, there have been no events, including events related to the COVID-19 pandemic, subsequent to period end which require adjustment of or disclosure in the consolidated and Council financial statements or notes thereto.

G. Group audits

1. There are no significant restrictions on our ability to distribute the retained profits of the Group because of statutory, contractual, exchange control or other restrictions other than those indicated in the Group financial statements.
2. Necessary adjustments have been made to eliminate all material intra-group unrealised profits on transactions amongst parent company, subsidiary undertakings and associated undertakings.

H. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises financial and non-financial information (other than the financial statements and the auditor's report thereon).
2. We confirm that the content contained within the other information is consistent with the financial statements.

I. Ownership of Assets

1. Except for assets capitalised under finance leases, the Group and Council has satisfactory title to all assets appearing in the balance sheet(s), and there are no liens or encumbrances on the Group and Council's assets, nor has any asset been pledged as collateral. All assets to which the Group and Council has satisfactory title appear in the balance sheet(s).

Management representation letter

Management Rep Letter

2. All agreements and options to buy back assets previously sold have been properly recorded and adequately disclosed in the consolidated and Council financial statements.
3. We have no plans to abandon lines of product or other plans or intentions that will result in any excess or obsolete inventory, and no inventory is stated at an amount in excess of net realisable value.
4. There are no formal or informal compensating balance arrangements with any of our cash and investment accounts.

J. Reserves

1. We have properly recorded or disclosed in the consolidated and council financial statements the useable and unusable reserves.

K. Contingent Liabilities

1. We are unaware of any violations or possible violations of laws or regulations the effects of which should be considered for disclosure in the financial statements or as the basis of recording a contingent loss (other than those disclosed or accrued in the financial statements).
2. We are unaware of any known or probable instances of non-compliance with the requirements of regulatory or governmental authorities, including their financial reporting requirements, and there have been no communications from regulatory agencies or government representatives concerning investigations or allegations of non-compliance.

L. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the valuation of Property, Plant and Equipment, the IAS19 actuarial valuations of pension fund liabilities and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialist.

M. Property valuation and Pension Liability Estimate

1. We confirm that the significant judgments made in making the valuation of land, buildings and investment properties, the pension net liability and the NDR appeals provision have taken into account all relevant information of which we are aware.
2. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the valuation of land, buildings and investment properties, the pension net liability and the NDR appeals provision.
3. We confirm that the significant assumptions used in making the valuation of land, buildings and investment properties, the pension net liability and the NDR appeals provision appropriately reflect our intent and ability to carry out services on behalf of the entity.
4. We confirm that the disclosures made in the consolidated and Council entity financial statements with respect to the accounting estimate(s), including those describing estimation uncertainty and the effects of the COVID-19 pandemic on valuation of land, buildings and investment properties, the pension net liability and the NDR appeals provision, are complete and are reasonable in the context of CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

Management representation letter

Management Rep Letter

5. We confirm that appropriate specialized skills or expertise has been applied in making the valuation of land, buildings and investment properties, the pension net liability and the NDR appeals provision.
 6. We confirm that no adjustments are required to the accounting estimate(s) and disclosures in the consolidated and parent entity financial statements, including due to the COVID-19 pandemic.
0. Retirement benefits
1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

Yours faithfully,

Richard Baker- Executive Director (Finance and Transformation) (S151 Officer)

Cllr Darrell Panter - Chairman of the Audit Committee

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