

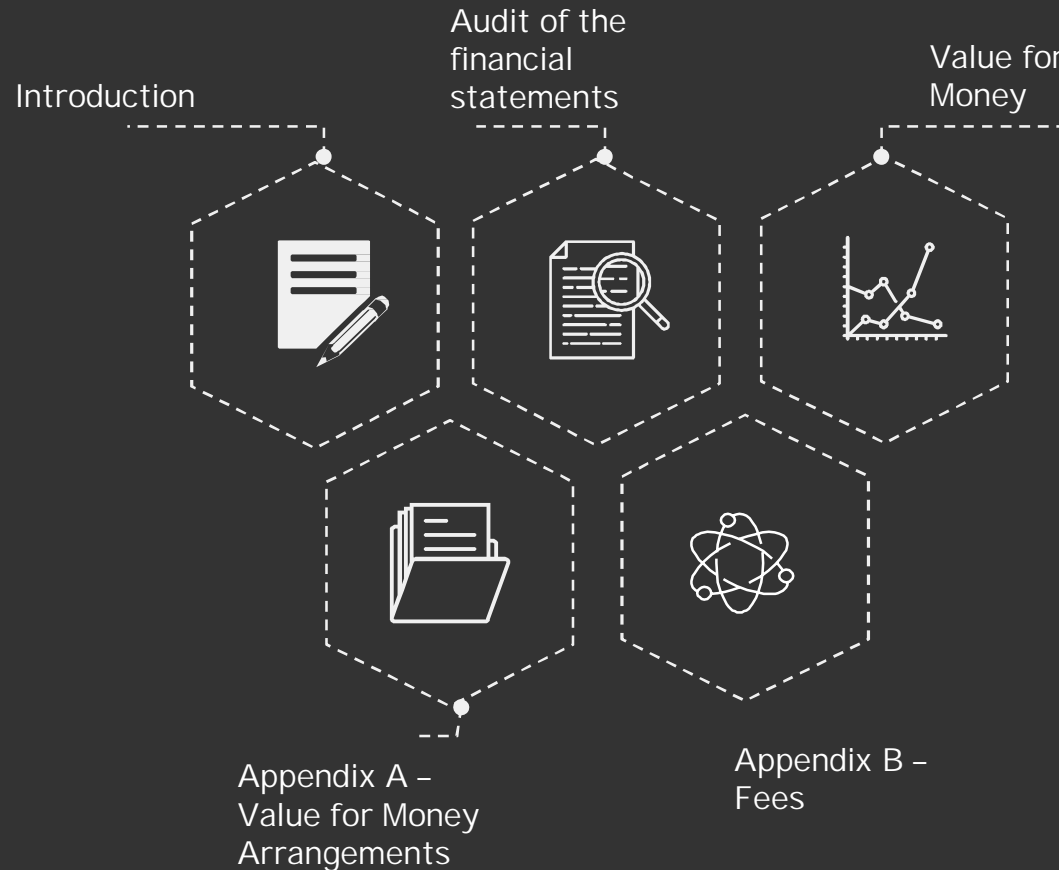
The background of the slide is a photograph of a modern, brightly lit interior space, likely a council chamber or a public meeting room. The room features a high ceiling with recessed lighting, a polished floor that reflects the lights, and large glass walls that offer a view of the outdoors. The glass walls are framed by dark metal, and the overall atmosphere is clean and professional.

Welwyn Hatfield Borough  
Council

Auditor's Annual Report

Year ended 31 March 2022

# 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 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 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.



# Introduction

## Purpose

The purpose of the auditor's annual report is to bring together all of the auditor's work over the year. A core element of the report is the commentary on value for money (VFM) arrangements, which aims to draw to the attention of the Council, or the wider public, relevant issues, recommendations arising from the audit and follow-up of recommendations issued previously, along with the auditor's view as to whether they have been implemented satisfactorily.

## Responsibilities of the appointed auditor

We have undertaken our 2021/22 audit work in accordance with the Audit Plan that we issued on 30<sup>th</sup> January 2023. We have complied with the National Audit Office's (NAO) 2020 Code of Audit Practice, other guidance issued by the NAO and International Standards on Auditing (UK).

As auditors we are responsible for:

Expressing an opinion on:

- The 2021/22 financial statements;
- Conclusions relating to going concern; and
- The consistency of other information published with the financial statements, including the narrative statement.

Reporting by exception:

- If the governance statement does not comply with relevant guidance or is not consistent with our understanding of the Council;
- If we identify a significant weakness in the Council's arrangements in place to secure economy, efficiency and effectiveness in its use of resources; and
- Any significant matters that are in the public interest.

## Responsibilities of the Council

The Council is responsible for preparing and publishing its financial statements, narrative statement and annual governance statement. It is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.



## Introduction (continued)

### 2021/22 Conclusions

Financial statements	Unqualified – the financial statements give a true and fair view of the financial position of the Council as at 31 March 2022 and of its expenditure and income for the year then ended. We issued our auditor’s report on 2 February 2024.
Going concern	We have concluded that the S151 Officer’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.
Consistency of the other information published with the financial statement	Financial information in the narrative statement and published with the financial statements was consistent with the audited accounts.
Value for money (VFM)	We had no matters to report by exception on the Council’s VFM arrangements. We have included our VFM commentary in Section 03.
Consistency of the annual governance statement	We were satisfied that the annual governance statement was consistent with our understanding of the Council.
Public interest report and other auditor powers	We had no reason to use our auditor powers.
Whole of government accounts	We have completed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission. We had no issues to report. The NAO has now published the C&AG’s audit certificate and report on the Whole of Government Accounts 2021-22. The NAO have separately confirmed that no further WGA work is required by component auditors. We were therefore able to certify completion of the 2021-22 audit.
Certificate	We have issued our certificate on 29 April 2024.



# Audit of the financial statements – Welwyn Hatfield Borough Council

## Key findings

The Narrative Statement and Accounts is an important tool for the Council to show how it has used public money and how it can demonstrate its financial management and financial health.

On 2 February 2024, we issued an unqualified opinion on the financial statements. We reported our detailed findings to the 30 January 2024 Audit Committee meeting. We outline below the key issues identified as part of our audit, reported against the significant risks and other areas of audit focus we included in our Audit Plan.

## Significant risk

## Conclusion

Management Override:  
Misstatements due to fraud or error

As identified in ISA (UK and Ireland) 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.

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.

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

Inappropriate capitalisation of  
revenue expenditure (Fraud Risk)

Linking to our risk of misstatements due to fraud and error, we have considered the capitalization 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.

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

# Audit of the financial statements – Welwyn Hatfield Borough Council

Significant risk	Conclusion
Risk of error in the valuation of Other L&B, and Investment Property	<p>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.</p> <p>ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of experts and assumptions underlying fair value estimates.</p> <p>As at 31 March 2022 the value of the Council's PPE was £1,219m and Investment Properties £6m. Due to significant economic uncertainty caused by the Covid-19 pandemic there is an increased risk that asset valuations (based on market conditions) may have been materially misstated.</p> <p>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 those below which are not material but above our reporting threshold and remain uncorrected at the date of this report.</p> <ol style="list-style-type: none"><li>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.</li><li>2. We have identified two misstatements of overvaluation of PPE:<ol style="list-style-type: none"><li>a.) Overvaluation of PPE due to not adjusting for purchaser's costs (Fiddlebridge). Amount £330,000.</li><li>b.) Overvaluation of PPE due to yield used by valuer that is unsupported (Stonehills). Amount £310,000.</li></ol></li><li>3. Two factual errors were identified in relation to differences between the Fixed Asset Register and valuation of PPE (Dwellings), net impact of an understatement of PPE of £275,882, and one relating to the reclassification of PPE additions to Intangible assets (£205,773).</li></ol> <p>There were no other issues arising from our work therefore we are content that PPE and IP valuations are fairly stated in the accounts</p>



# Audit of the financial statements – Welwyn Hatfield Borough Council

Area of focus / Inherent risk	Conclusion
Pension Net Liability Valuation	<p>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 highly material and sensitive item and the Code requires that this liability be disclosed on the Council's balance sheet. The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the administering body.</p> <p>As with other Councils, accounting for this scheme involves significant estimation and judgement and due to the nature, volume and size of the transactions we consider this to be a higher inherent risk.</p> <p>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.</p> <p>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.</p>
Going Concern	<p>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.</p> <p>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.</p> <p>Due to the delay in completing the audit, we needed to extend our going concern assessment procedures until 12 months after the expected audit sign off date and have asked management to provide cashflow forecasting and going concern assessment to March 2025. To the date of audit signing, 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.</p>



# Audit of the financial statements – Welwyn Hatfield Borough Council

Area of focus / Inherent risk	Conclusion
Understatement of Provisions	<p>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.</p> <p>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.</p> <p>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.</p> <p>Based on the procedures performed, we have not identified any further misstatements and can conclude that provisions are fairly stated.</p>



We did not identify any significant weakness in the Council's VFM arrangements for 2021/22.

## Scope

We are required to report on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. We have complied with the guidance issued to auditors in respect of their work on value for money arrangements (VFM) in the 2020 Code of Audit Practice (2020 Code) and Auditor Guidance Note 3 (AGN 03). We presented our VFM risk assessment to the Governance and Audit and Standards Committee which was based on a combination of our cumulative audit knowledge and experience, our review of Council committee reports, meetings with officers and evaluation of associated documentation through our regular engagement with Council management and the finance team.

## Reporting

We completed our risk assessment procedures and did not identify any significant weaknesses in the Council's VFM arrangements. We have also not identified any significant risks during the course of our audit. As a result, we had no matters to report by exception in the audit report on the financial statements.

Our commentary for 2021/22 is set out over pages 10 to 19. The commentary on these pages summarises our conclusions over the arrangements at the Council in relation to our reporting criteria (see below) throughout 2021/22. Appendix A includes the detailed arrangements and processes underpinning the reporting criteria. These were reported in our 2020/21 Annual Auditors Report and have been updated for 2021/22.

Our VFM commentary highlights relevant issues for the Council and the wider public.

In accordance with the NAO's 2020 Code, we are required to report a commentary against three specified reporting criteria:

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 weaknesses identified
Governance: How the Council ensures that it makes informed decisions and properly manages its risks	No significant risks identified	No significant weaknesses 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 weaknesses identified

We have no matters to report by exception in the audit report.



## Value for Money (continued)

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

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 should be on the arrangements that the Council is expected to have in place during the year ended 31 March 2022. During our risk assessment procedures, we did not identify any risk of significant weakness in arrangements for the council towards its financial sustainability.

Council's current forecasts show a cumulative budget gap of £2.274m over the term of the forecasting period from 2022/23 to 2025/26 along with planned use of reserves to support the collection fund deficits. 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 of 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 our regular meetings with officers to understand what they are doing to mitigate this risk. The deep dive analysis of potential savings and income is something which is constantly being monitored.

We are satisfied that the current economic conditions are considered in updating the MTFS. 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 yearend also informs that the council has sufficient reserves to cover future gaps until 25/26.



## Value for Money (continued)

### Financial Sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services (Contd.)

#### 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 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).

A summary of capital expenditure forecasts including rephasing from 2021/22 are as follows:

	2022/23 £'m	2023/24 £'m	2024/25 £'m	2025/26 £'m	2026/27 £'m
General Fund (GRF)	10.978	1.381	1.471	1.385	1.415
Housing Revenue Account (HRA)	57.415	38.154	30.399	33.006	32.406
<b>Sub total</b>	<b>68.393</b>	<b>39.535</b>	<b>31.870</b>	<b>34.391</b>	<b>33.821</b>
Loans to Now Housing (GRF)	60.570	12.033	11.056	0.370	2.430
<b>TOTAL</b>	<b>128.963</b>	<b>51.568</b>	<b>42.926</b>	<b>34.761</b>	<b>36.251</b>

The majority of spend in the general fund is in relation to regeneration and operation property projects, and for the delivery of new affordable housing in the HRA. The Council also has a housing company (Now Housing) for which they make loan payments to in order to facilitate delivering affordable rented accommodation in the Borough. This is 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 to help inform decisions and monitor risk.

**Investment and Commercial Strategy** – This strategy helps undertake capital investment activities which will purely or partially generate a profit. However, they do not generally undertake activities which are purely for profit generation, as the main purpose of their capital investment activities is usually to meet the corporate objectives, which may or may not have a partial objective of generating profit. A suite of indicators is used to monitor against, ensuring professional advice is taken where appropriate.

**Treasury Management Strategy** – This strategy ensures they maintain sufficient and not excessive funds are in place to meet spending needs. It provides the framework for managing the risks involved with investing 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. Priority is given to these objectives over the return on investment (interest income). Officers 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 set out how the apportionment of interest costs and income between revenue accounts, the limits with financial institutions and details the use of specialist advisors.



## Value for Money (continued)

### Financial Sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services (Contd.)

As of the date of our auditor's 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 2021/22 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 (continued)

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

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 2022. In 2021/22, 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 e.g. Covid response, by the Corporate Leadership Team. The Internal Audit plan is developed with input from Corporate Leadership team (CLT), 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.

The Council's Annual Governance Statement (AGS) is a statutory requirement and the council has prepared this statement in line with this requirement. The CLT meet regularly to discuss matters as set out in the AGS. The CLT reviews, on a monthly basis, the financial and performance information of the Council. Included periodically are benchmarking reports completed internally and externally which are used as a line of enquiry to identify where improvements can be made to operational or financial performance.

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. 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 2021/22, 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.



## Value for Money (continued)

### Governance: How the Council ensures that it makes informed decisions and properly manages its risks (Contd.)

Furthermore, Eversheds Sutherland was instructed by Welwyn Hatfield Borough Council in early 2022 to commence a Compliance Process Independent Review. The Review has taken place over January and February 2022. It is intended that the contents of this Report will be shared with the Regulator as further assurance that historic concerns have been identified and that the remedial measures being pursued by the Council will be effective. Ref - <https://democracy.welhat.gov.uk/documents/s18767/11a%20-Appendix%20A%20-%20Eversheds%20Sutherland%20report.pdf>

The report identified 12 root causes which went to Cabinet on 1 March 2022. From the compliance review it is also important to note that the independent review by Eversheds Sutherland states that the changes made during 2021/22 have put the Council in a much stronger position. The changes have created a sustainable solution to achieve compliance whilst also recognising the resource pressures and other challenges that exist in local government. <https://democracy.welhat.gov.uk/documents/s18766/11a%20%20Independent%20Housing%20Compliance%20Review%20final.pdf>

Conclusion: Based on the work performed, the Council had proper arrangements in place in 2021/22 to enable it to make informed decisions and properly manage its risks.



## Value for Money (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

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 2022. In 2021/22, we did not identify a risk of significant weakness in arrangements in place to ensure economy, efficiency and effectiveness.

We did not identify any weaknesses in the Council's procurement procedures in 2021/22.

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 is support the wider outcomes for the Borough.

Conclusion: Based on the work performed, the Council had proper arrangements in place in 2021/22 to enable it to use information about its costs and performance to improve the way it manages and delivers services.

# Appendices



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## Appendix A – Summary of arrangements

### Financial Sustainability

#### Reporting Sub-Criteria

#### Findings

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

An annual 3-year Medium Term Financial Strategy (MTFS) is produced by the Director of Finance and Corporate Services 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 Corporate Leadership Team (CLT). 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.

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

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 2021/22 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

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### Financial Sustainability

Reporting Sub-Criteria	Findings
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 Director of Finance and Corporate Services 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. In 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>

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## Appendix A – Summary of arrangements (continued)

### Governance

#### Reporting Sub-Criteria

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

#### Findings

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 and 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 Heads of Service 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 management assurance process was amended in the financial year 2021/22 to have a mid year check point, to help identify any areas where improvements may be required, which would not usually fall into the "significant matters" category, to have early sight of any issues and to take action to prevent matters escalating into significant matters.

Performance clinics include performance reporting which is made up of the Cabinet and Senior Officers, and any key issues/underperformance from these reports are subsequently made public.

## Appendix A – Summary of arrangements (continued)

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### Governance

#### Reporting Sub-Criteria

#### Findings

How the body approaches and carries out its annual budget setting process

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.

In line with Financial Regulations, the Director Finance & Corporate Services 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.

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.

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

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 Corporate Leadership Team (CLT), 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 CLT 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.

## Appendix A – Summary of arrangements (continued)

### Governance

#### Reporting Sub-Criteria

#### Findings

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.

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)

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 (continued)

### Improving economy, efficiency and effectiveness

Reporting Sub-Criteria	Findings
<p>How financial and performance information has been used to assess performance to identify areas for improvement</p>	<p>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.</p> <p>The Council's Annual Report and Annual Governance Statement also set out the review of performance for the year. The CLT 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.</p> <p>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.</p>
<p>How the body evaluates the services it provides to assess performance and identify areas for improvement</p>	<p>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.</p> <p>The internal auditor also reviews the performance of different services.</p> <p>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.</p>
<p>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</p>	<p>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.</p> <p>Through Partnership Boards performance is monitored and evaluated to ensure as a 'system' where the Council has direct or indirect control and influence is support the wider outcomes for the Borough.</p>

## Appendix A – Summary of arrangements (continued)

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### Improving economy, efficiency and effectiveness

#### Reporting Sub-Criteria

#### Findings

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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# Appendix B – Fees

## Fees

We carried out our audit of the Council’s financial statements in line with PSAA Ltd’s “Statement of Responsibilities of auditors and audited bodies” and “Terms of Appointment and further guidance (updated July 2021)”.

Description	Final Fee 2021/22 £	Planned Fee 2021/22 £	Final Fee 2020/21 £
Scale Fee – Code work	47,921	47,921	47,921
2021/22 proposed scale fee rebasing amount (Note 1)	27,000	TBC	
2020/21 fee variation determined by PSAA (Note 2)			53,020
2021/22 PSAA expected additional minimal core fees (Note 3):			
• VFM	10,867	6,000 to 11,000	
• ISA 540 accounting estimates		2,500	
2021/22 proposed fee variation – other (Note 4)	33,121	TBC	
<b>Total Fees</b>	<b>118,909</b>	<b>TBC</b>	<b>100,941</b>

For 2021/22 the scale fee will be re-assessed to take into account a number of risk factors which includes procedures performed to address the risk profile of the Council and additional work to address the increase in Regulatory standards.

(1) The 2021/22 proposed fee includes an amount for rebasing of the scale fee. The background to the proposed rebasing has been reported in prior years. The amount is consistent with the submission we made to PSAA subsequent to issuing our 2020/21 Auditors Annual Report.

(2) The 2020/21 additional fee relates principally to rebasing of the scale fee, additional work performed in relation to areas of audit risk (PPE and IP valuations, pensions, group accounts, additional VfM work, work on elector correspondence, Covid-19 grant accounting and enhanced going concern disclosures, infrastructure assets accounting), and changes to auditing standards and the Code. This is final, and has been agreed with PSAA.

(3) In September 2022, PSAA published ‘Additional information for 2021/22 audit fees’. PSAA commissioned external independent technical research for setting standardised fee variations to assess the expected impact on audit work programmes of a range of new and updated audit requirements. PSAA determined a minimum range for VfM (£6k-£11k) and a minimum amount for ISA540 (£2.5k). We have calculated a total fee for these areas for WHBC of £10,867, which is towards the lower end of the range.

(4) Proposed fee variation is for work performed in the following areas: Group accounts, Pension valuation, PPE/IP valuations, work on elector correspondence, Covid-19 grant accounting and enhanced going concern disclosures, issues relating to the provision of listing of debtors and creditors, work of EY specialists on pensions and PPE/IP valuations, infrastructure assets accounting and the impact of the audit duration on required audit procedures. These amounts will be submitted to PSAA for determination.



## Appendix C – Fees Relationships, services and related threats and safeguards

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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 1 April 2021 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted.

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