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Contact:  
Democracy@welhat.gov.uk

21 January 2025

You are requested to attend a meeting of the WELWYN HATFIELD BOROUGH COUNCIL AUDIT COMMITTEE to be held on Thursday 30 January 2025 at 7.30 pm in the Council Chamber, Council Offices, The Campus, Welwyn Garden City, Herts, AL8 6AE

**AGENDA**  
**PART 1**

1. **APOLOGIES & SUBSTITUTIONS**

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

2. **MINUTES**

To confirm as a correct record the Minutes of the meeting held on 5 September 2024 (previously circulated).

3. **NOTIFICATION OF URGENT BUSINESS TO BE CONSIDERED UNDER ITEM 9**

4. **DECLARATIONS OF INTERESTS BY MEMBERS**

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

5. **INTERNAL AUDIT PROGRESS REPORT** (Pages 3 - 18)

6. **KPMG EXTERNAL YEAR END AUDIT REPORT** (Pages 19 - 54)

7. **KPMG ANNUAL AUDITOR'S REPORT** (Pages 55 - 76)

8. **2023/24 STATEMENT OF ACCOUNTS** (Pages 77 - 80)

9. SUCH OTHER BUSINESS AS, IN THE OPINION OF THE CHAIR, IS OF SUFFICIENT URGENCY TO WARRANT IMMEDIATE CONSIDERATION

10. EXCLUSION OF PRESS AND PUBLIC

The Committee is asked to resolve:

That under Section 100(A) (2) and (4) of the Local Government Act 1972, the press and public be now excluded from the meeting for item 12 (if any) on the grounds that it involves the likely disclosure of confidential or exempt information as defined in Section 100A (3) and Part I of Schedule 12A of the said Act as amended.

In resolving to exclude the public in respect of the exempt information, it is considered that the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

## PART II

11. ANY OTHER BUSINESS OF AN EXEMPT NATURE AT THE DISCRETION OF THE CHAIR

Circulation: Councillors D.Panter (Chair) R.Platt  
C.Watson (Vice-Chairman) K.Bonkur  
J.Boulton

Senior Leadership Team  
Press and Public (except Part II Items)

**If you require any further information about this Agenda please contact Democratic Services, Governance Service on or email – [democracy@welhat.gov.uk](mailto:democracy@welhat.gov.uk)**



Welwyn Hatfield Borough Council  
Audit Committee Progress Report  
30 January 2025

Recommendation

Members are recommended to:

- Note the Internal Audit Progress Report for the period to 16 January 2025
- Note the implementation status of internal audit recommendations and the management update.

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- 2 Audit Plan Update
  - 2.1 Delivery of Audit Plan and Key Findings
  - 2.3 High Priority Recommendations
  - 2.5 Medium Priority Recommendations
  - 2.6 Proposed In-Year Amendments to the Approved 2024/25 Internal Audit Plan
  - 2.7 Performance Management
  - 2.10 Summary of Performance Against KPI's

## Appendices

- A Progress against the 2024/25 Audit Plan
  
- B 2024/25 Audit Plan Start Dates Agreed with Management
  
- C Implementation Status of Outstanding Medium Priority Recommendations
  
- D Assurance and Findings Definitions 2024/25

# 1. Introduction and Background

## Purpose of Report

- 1.1 This report details:
- a) Progress made by the Shared Internal Audit Service (SIAS) in delivering the Council's Annual Internal Audit Plan for 2024/25 as at 16 January 2025.
  - b) Proposed amendments to the approved 2024/25 Internal Audit Plan.
  - c) The implementation status of previously agreed audit recommendations.
  - d) An update on performance indicators as at 16 January 2025.

## Background

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

# 2. Audit Plan Update

## Delivery of Audit Plan and Key Audit Findings

- 2.1 As at 16 January 2025, 65% of the 2024/25 Audit Plan days had been delivered.
- 2.2 There have been six final audit reports that have been issued since the previous progress report.

<b>Audit Title</b>	<b>Assurance Opinion</b>	<b>Recommendations</b>
Creditors (Risk & Control Mapping)	Substantial	None
Debtor (Risk & Control Mapping)	Substantial	None
Payroll (Risk & Control Mapping)	Substantial	None
Procurement Act – Preparedness Part 1	Reasonable	1 Medium, 1 Low
Procurement Act –	Substantial	None

<b>Audit Title</b>	<b>Assurance Opinion</b>	<b>Recommendations</b>
Preparedness Part 2		
Sickness Absence Management	Reasonable	3 Medium, 3 Low

### High Priority Recommendations

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

### Medium Priority Recommendations

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

### Proposed In-Year Amendments to the 2024/25 Internal Audit Plan

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

### Performance Management: Reporting of Audit Plan Delivery Progress

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

<b>Status</b>	<b>No of Audits at this Stage</b>	<b>% of Total Audits</b>	<b>Profile to 16 January 2025</b>
Draft / Final Report Issued	15	60%	(17/25)
In Fieldwork / Quality Review	4	16%	(4/25)
Terms of Reference Issued / In Planning	6	24%	(4/25)
Not Yet Started	0	0%	(0/25)

2.8 Annual performance indicators and associated targets were approved by the SIAS Board in March 2023. As at 16 January 2025, actual performance for Welwyn Hatfield Borough Council against the targets that can be monitored in year was as shown in the table below:

Performance Indicator	Annual Target	Profiled Target to 16 January 2025	Actual to 16 January 2025
<b>1. Planned Days</b> – percentage of actual billable days against planned chargeable days completed (excluding unused contingency)	95%	70% (200 / 285 days)	65% (186 / 285 days)
<b>2. Planned Projects</b> – percentage of actual completed projects to draft report stage against planned completed projects by 31 <sup>st</sup> March 2024	90%	68% (17 / 25 projects)	60% (15 / 25 projects)
<b>3. Client Satisfaction with Conduct of the Audit</b> – percentage of client satisfaction questionnaires returned at 'satisfactory' level	100%	100%	100% (9 returned from 16 issued within 2024/25)
<b>4. Number of High Priority Audit Recommendations agreed</b>	95%	95%	No high priority recommendations have been made to date in 2024/25

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

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

#### Summary of Performance Against KPI's

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



**APPENDIX A – PROGRESS AGAINST THE 2024/25 AUDIT PLAN AS AT 16 JANUARY 2025**

**2024/25 SIAS Audit Plan**

AUDITABLE AREA	LEVEL OF ASSURANCE	RECOMMENDATIONS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS / COMMENTS	CSQ Completed
		C	H	M	L					
<b>Key Financial Systems</b>										
Cash and Banking						10	SIAS	0.5	In Planning	
Creditors (Risk & Control Mapping)	Substantial	0	0	0	0	5	SIAS	5	Final Report	Yes
Debtors (Risk & Control Mapping)	Substantial	0	0	0	0	5	SIAS	5	Final Report	Yes
Housing Benefits						10	SIAS	3	In Fieldwork	
Payroll (Risk & Control Mapping)	Substantial	0	0	0	0	5	SIAS	5	Final Report	Yes
Treasury Management						10	SIAS	9.5	Draft Report	
<b>Operational Services</b>										
CCTV and Body Worn Cameras						10	SIAS	0.5	In Planning	
CIL – Implementation						10	BDO	1	In Planning	
Damp and Mould Follow Up						6	SIAS	6	Draft Report	
Oak Hill						10	SIAS	9.5	Draft Report	
Parking - New On-Street Parking Restrictions						10	SIAS	9.5	Draft Report	
Planned work and repairs						14	SIAS	13.5	Draft Report	
Statutory Compliance						12	SIAS	5	In Fieldwork	
Tenancy Audits						10	BDO	4	In Fieldwork	
Trees Inspection	Reasonable	0	0	1	1	10	SIAS	10	Final Report	Yes

**APPENDIX A – PROGRESS AGAINST THE 2024/25 AUDIT PLAN AS AT 16 JANUARY 2025**

AUDITABLE AREA	LEVEL OF ASSURANCE	RECOMMENDATIONS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS / COMMENTS	CSQ Completed
		C	H	M	L					
Programme										
<b>Corporate Services</b>										
Agency Staffing						10	SIAS	9	Quality Review	
Contract Procurement						10	SIAS		In Planning	
Engagement Strategy						8	SIAS	1	In Planning	
Procurement Act – Preparedness Part 1	Reasonable	0	0	1	1	5	SIAS	5	Final Report	Yes
Procurement Act – Preparedness Part 2	Substantial	0	0	0	0	3	SIAS	3	Final Report	Yes
Sickness Absence Management	Reasonable	0	0	3	3	10	SIAS	10	Final Report	Yes
Transformation Board						10	SIAS	9.5	Draft Report	
<b>IT Audits</b>										
Cyber - Governance and Culture						10	BDO	9.5	Draft Report	
IT Architecture Assessment						12	BDO	0.5	In Planning	
Remote Working and Multi Factor Authentication	Substantial	0	0	0	1	12	BDO	12	Final Report	No
<b>Grant Claims / Charity Certification</b>										
Miscellaneous Grant Claims						2				
<b>Contingency</b>										
Contingency						0				

**APPENDIX A – PROGRESS AGAINST THE 2024/25 AUDIT PLAN AS AT 16 JANUARY 2025**

AUDITABLE AREA	LEVEL OF ASSURANCE	RECOMMENDATIONS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS / COMMENTS	CSQ Completed
		C	H	M	L					
<b>Client Management - Strategic Support</b>										
Audit Committee and Recommendation Follow Up						10	SIAS	8.5		
Chief Audit Executive Opinion 2023/24						3	SIAS	3	Complete	N/A
Client Liaison and Corporate Governance Group						8	SIAS	6		
Plan and Progress Monitoring						7	SIAS	5.5		
SAFS Management Actions Follow Up						1	SIAS	0		
SIAS Development and Global Internal Audit Standards implementation.						15	SIAS	8		
2025/26 Audit Planning						7	SIAS	4		
<b>2023/24 Carry Forward</b>										
Completion of outstanding 2023/24 projects						5	SIAS	5	Complete	N/A
<b>Total</b>		<b>0</b>	<b>0</b>	<b>5</b>	<b>6</b>	<b>285</b>		<b>186.5</b>		

**Key / Notes**

Not Assessed = No assurance opinion provide as the project was either consultancy based or validation for compliance

C = Critical Priority, H = High Priority, M = Medium Priority, L = Low Priority

BDO = SIAS Audit Partner

N/A = Not Applicable

Audit Plan Days are a guide only and are not formally allocated. This is as per the approved 2023/24 Internal Audit Plan.

CSQ = Client Satisfaction Questionnaire

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

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

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

Other	2023/24 Carry Forward			
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Key:

Final Report Issued

Draft Report Issued

Quality Review

IT – IT Audits

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

O - Other

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

**APPENDIX C – IMPLEMENTATION STATUS OF OUTSTANDING MEDIUM PRIORITY RECOMMENDATIONS**

Report Title and Date	Recommendation	Management Response	Original Target Date	Responding Officer	Management Action Taken to Date	Revised Target Date	Implementation Status
<p>Handheld Devices Security</p> <p>April 2024</p>	<p><b>Mobile Device Policies and Procedures</b></p> <p>As part of the mobile device provisioning process, members of staff should be provided with all associated relevant policies and directed to read them on a mandatory basis. Members of staff should be required to sign a declaration confirming that they have read and understood all necessary policies and procedures prior to being able to use their devices.</p> <p>It is understood that the Council's starters and leavers process is currently under review, and this recommendation should be included as part of this project.</p>	<p>WHBC ICT will create a form for completion by new mobile device users, indicating the location of relevant policies and requiring confirmation that they have been read. Users will only be issued with mobile devices on completion of the form.</p>	<p>31/05/2024</p>	<p>ICT Operations Manager</p>	<p><u>May 2024</u> We are in discussions with HR to include the document as a signature requirement to be included within the onboarding process for new starters.</p> <p>The ICT policy is to be included as part of the DocuSign issued alongside the Code of conduct which is issued currently.</p> <p><u>August 2024</u> WHBC are working with DocuSign to repackage the required documents. These will then be issued and signed off by new starters prior to their start date. We are working with the HR team to deliver a cohesive solution.</p> <p><u>January 2025</u> The HR team are reviewing the DocuSign service as there are limitations on the functionality/capacity included with our service. We will be able to proceed once this has been completed.</p>	<p>31/03/2025</p>	<p>In Progress</p>

## APPENDIX C – IMPLEMENTATION STATUS OF OUTSTANDING MEDIUM PRIORITY RECOMMENDATIONS

Report Title and Date	Recommendation	Management Response	Original Target Date	Responding Officer	Management Action Taken to Date	Revised Target Date	Implementation Status
IT Disaster Recovery and Business Continuity  March 2024	<p><b>IT Disaster Recovery and Business Continuity Documentation</b></p> <p>Management should finalise the Council's Service Level Continuity Plan for ICT &amp; Digital and formalise the documentation of the Council's disaster recovery arrangements through a defined IT Disaster Recovery Plan, which should then be approved and communicated to all relevant members of staff.</p> <p>The technical procedures for the recovery of critical IT services and systems should also be documented and appended to the disaster recovery plan, which should then be easily accessible in the event of an incident or disaster.</p> <p>Furthermore, arrangements should be put in place for the ICT business Continuity Plan and the Disaster Recovery Plan to be reviewed and tested on at least an annual basis or following a significant change to the Council's operations.</p>	<p>WHBC has reviewed and amended its BCP templates recently. These are being completed by services with a view to a full complement of service-based plans being in place by end of April.</p> <p>WHBC ICT will add step-by-step technical details of Disaster Recovery invocation to the document WHBC ICT DR Procedures.</p> <p>WHBC ICT will review its BCP and DR plans following each annual DR exercise (next scheduled exercise – September 2024).</p>	30/09/2024	<p>Assistant Director ICT &amp; Digital</p> <p>ICT Operations Manager</p>	<p><u>January 2025</u></p> <p>WHBC are in the process of delivering a new Disaster Recovery solution which will offer improved recovery performance. New technical documents will be created as part of the deployment and the WHBC ICT DR Procedure will be updated.</p>	31/03/2025	In Progress

## APPENDIX C – IMPLEMENTATION STATUS OF OUTSTANDING MEDIUM PRIORITY RECOMMENDATIONS

Report Title and Date	Recommendation	Management Response	Original Target Date	Responding Officer	Management Action Taken to Date	Revised Target Date	Implementation Status
IT Disaster Recovery and Business Continuity  March 2024	<p><b>Assessment of Recovery Time and Point Objectives</b> Management should carry out a thorough assessment of the Council's ability to achieve the defined recovery time and point objectives in the event of a critical incident or disaster, which should be formally documented and reviewed on a routine basis or following a significant change to the Council's operations.</p> <p>This should include ensuring that ICT &amp; Digital business continuity and disaster recovery procedures are aligned and synchronised with Council-wide and other Directorate business continuity plans and requirements.</p> <p>Furthermore, the procedures that support the recovery of the Council's IT systems should be reviewed and tested on a routine basis to ensure that backup processes are sufficient to achieve the Council's expectations for the recovery of data in the event of a disaster.</p>	<p>WHBC ICT will test the accuracy of its Recovery Time and Point Objectives within the annual Disaster Recovery test. Any issues in achieving stated objectives or potential improvement in objectives will be flagged to Council Services via SMT, who will have the opportunity to confirm these objectives fit with their own business continuity plans and requirements or to request changes.</p> <p>WHBC ICT will institute a quarterly scheduled restoration of selected files from backup to test that processes are effective and matching the Council's expectations.</p>	30/09/2024	ICT Operations Manager	<p><u>January 2025</u> The RTOs and POs will be reviewed as part of the implementation of the new DR solution. The recovery times will be improved which will allow for the target times to be reduced.</p>	31/03/2025	In Progress



## APPENDIX C – IMPLEMENTATION STATUS OF OUTSTANDING MEDIUM PRIORITY RECOMMENDATIONS

Report Title and Date	Recommendation	Management Response	Original Target Date	Responding Officer	Management Action Taken to Date	Revised Target Date	Implementation Status
White Paper - Housing Complaints Handling  April 2024	<p><b>Capturing Lessons Learnt from Housing Complaints</b></p> <p>1) Whilst it is acknowledged that general complaint performance is reviewed monthly by the Senior Leadership Team, lessons learnt should be highlighted as part of the monthly reports to ensure that management are aware of the themes and trends in the complaints received. Reporting on lessons learnt will help identify training opportunities/guidance for staff to ensure lessons learnt are addressed, to improve the quality of service.</p> <p>2) The Council should ensure that further guidance and training opportunities on the basis of lessons learnt are communicated to service officers who respond to complaints to improve performance.</p> <p>3) As a form of training, quarterly reviews of complaints should be conducted, which involves the scrutiny of a sample of cases which breached the policy timeframes to identify areas of improvement. The exercise should also involve best practice examples as a comparison, to ensure service officers who respond to complaints are aware of the quality required in completing and resolving investigations.</p>	<p>1) More detailed reporting on Lessons Learned will be shared with SLT and the Housing Officers Strategic and Operational Working Groups.</p> <p>2) Additional training requirements for complaint handling is being reviewed, including staff briefing on updates following on from the final publication of the Complaints Handling Code and updated self-assessment. Any lessons learned will be included in this training and updates to teams.</p> <p>3) The Council has recently appointed a Complaints Insight Officer who will be responsible for undertaking quarterly reviews to identify areas of improvement, training needs and sharing examples of best practice.</p>	30/09/2024	Assistant Director (Customer Services & Transformation)	<p><u>January 2025</u></p> <p>1) More detailed lessons learned reporting is in place, with SMT receiving more detailed monthly complaints reports. An internal project team are currently looking at how lessons learned are capture so more detail can be reported. Officers are also able to call a case review on any complaint or Ombudsman case.</p> <p>2) All officers responsible for complaints received training on the updated policy and system processes throughout September and October. Training for new starters is ongoing and customer service/complaints to be included in the corporate induction presentation. External training will be provided as required.</p> <p>3) The Complaints Insight Officer undertakes a monthly sample of complaints to consider response time and quality of response. Any lesson learned are fed back to the relevant teams and SMT, as appropriate.</p>	31/03/2025	In Progress

**APPENDIX D – ASSURANCE AND FINDINGS DEFINITIONS 2024/25**

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

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

# Year End Report to the Audit Committee

Welwyn Hatfield Borough Council

Year end report for the year ended 31 March 2024

—  
30 January 2025

# Introduction

## To the Audit Committee of Welwyn Hatfield Borough Council

We are pleased to have the opportunity to meet with you on 30 January 2025 to discuss the results of our audit of Welwyn Hatfield Borough Council as at and for the year ended 31 March 2024.

We are providing this report in advance of our meeting to enable you to consider our findings and hence enhance the quality of our discussions. This report should be read in conjunction with our final audit plan, presented on 05 September 2024. We will be pleased to elaborate on the matters covered in this report when we meet.

## The engagement team

We expect to be in a position to sign our audit opinion on the approval of the financial statements and auditor's representation letter by 28 February 2025, provided that the outstanding matters noted on page 6 of this report are satisfactorily resolved.

We will be issuing a disclaimer audit opinion for the reasons outlined on page 4.

We draw your attention to the important notice on page 3 of this report, which explains:

- The purpose of this report
- Limitations on work performed
- Status of our audit and the implications of the statutory backstop.

Yours sincerely,



**Christopher Paisley**

**Director**

21 January 2025

## How we deliver audit quality

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

We consider risks to the quality of our audit in our engagement risk assessment and planning discussions.

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

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

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# Important notice

**This report is presented under the terms of our audit under Public Sector Audit Appointments (PSAA) contract.**

The content of this report is based solely on the procedures necessary for our audit.

## Purpose of this report

This Report has been prepared in connection with our audit of the financial statements of Welwyn Hatfield Borough Council (the 'Council'), prepared in accordance with International Financial Reporting Standards ('IFRSs') as adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, as at and for the year ended 31 March 2024.

This Report has been prepared for the Council's Audit Committee, a sub-group of those charged with governance, in order to communicate matters that are significant to the responsibility of those charged with oversight of the financial reporting process as required by ISAs (UK), and other matters coming to our attention during our audit work that we consider might be of interest, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone (beyond that which we may have as auditors) for this Report, or for the opinions we have formed in respect of this Report.

This report summarises the key issues identified during our audit.

## Limitations on work performed

This Report is separate from our audit report and does not provide an additional opinion on the Council's financial statements, nor does it add to or extend or alter our duties and responsibilities as auditors.

We have not designed or performed procedures outside those required of us as auditors for the purpose of identifying or communicating any of the matters covered by this Report.

The matters reported are based on the knowledge gained as a result of being your auditors. We have not verified the accuracy or completeness of any such information other than in connection with and to the extent required for the purposes of our audit.

## Status of our audit and implications of the statutory backstop

Page 4 'Our audit and the implications of the statutory backstop' explains the impact of the statutory backstop and our resulting conclusion complete a disclaimer opinion on the financial statements.

Our audit is not yet complete, and matters communicated in this Report may change pending signature of our audit report. We will provide an oral update on the status. Page 6 'Our Audit Findings' outlines the outstanding matters in relation to the audit. Our conclusions will be discussed with you before our audit report is signed.

This report is addressed to Welwyn Hatfield Borough Council (WHBC). We take no responsibility for any member of staff acting in their individual capacities, or to third parties.

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.



# Our audit and the implications of the statutory backstop



## Measures to resolve the backlog

The Government has introduced measures to resolve the local government financial reporting and audit backlog. Amendments have been made to the Accounts and Audit Regulations and NAO's Code of Audit Practice which have allowed auditors to give disclaimed opinions over any open, incomplete audits up to the period ending 31 March 2023. These were required to be delivered by 13th December 2024. For Welwyn Hatfield Borough Council this has resulted in a disclaimed audit opinion for the financial year 2022/23.

Those same amendments to the Accounts and Audit Regulations require the Council to publish its audited 2023/24 financial statements and accompanying information on or before 28 February 2025. In accordance with the Code, as auditors we are required to provide our audit report on those financial statements in sufficient time to enable the Council to publish its audited financial statements by this date, irrespective of if the audit is complete or not.

The appendix 'Local Audit - Reset and Recovery' provides more detailed information regarding this. The appendix also provides more detail on the implication of this in future audits, in respect of rebuilding assurance.

## Impact on our audit of the financial statements

The impact of the above means that for the financial year 2023/24 we have not been able to obtain sufficient appropriate audit evidence in respect of the 2023/24 opening balances and the comparatives balances relating to 2022/23. The work we have performed in 2023/24 is explained on the next page.

As explained in the previously referenced appendix, the level of rebuilding assurance has been limited in 2023/24 as we have determined that there is insufficient time to complete our audit to obtain sufficient appropriate audit evidence, and, in our view, this is pervasive to the financial statements as a whole.

As a result of the above and irrespective of the level of work completed on 2023/24 balances, we intend to issue a disclaimer opinion on the financial statements.

## Other matters

As required by the ISAs (UK) when we are disclaiming our audit opinion, our audit report will not report on other matters that we would usually report on, most notably the use of the going concern assumption in the preparation of the financial statements; the extent to which our audit was considered capable of detecting irregularities, including fraud; and whether there are material misstatements in the other information presented within the Statement of Accounts.

Although we are disclaiming our audit opinion we have, in this report, reported matters that have come to our attention and, where appropriate, we intend to include in our audit report.

## Value for Money

The amendments to the Accounts and Audit Regulations do not impact on our responsibilities in relation to the Council's Value for Money arrangements. We are responsible for forming a view on the arrangements that the Council has in place to secure economy, efficiency and effectiveness in its use of resources. Page 17 provides a summary of our findings. Further details are also available in our Auditor's Annual Report for 2023/24.

# Our audit and the implications of the statutory backstop



## Work completed in 2023/24

Our indicative audit plan presented to you 18 March 2024 and final audit plan presented to you on 5 September 2024, set out our audit approach including our significant risks and other audit risks. We have updated our response to those significant risks, in the pages overleaf, identifying the work we have and have not been able to complete.

Although we are disclaiming our audit opinion, we have reported matters that have come to our attention during the audit and, where appropriate, we intend to include in our audit report.

Specifically in relation to 2023/24 we have completed our work on the following areas in addition to our planning and risk assessment work (*except where stated on the underlying slides*):

Significant risks:

- Valuation of land and buildings (see slide 8)
- Management override of controls (see slide 9)
- Valuation of post retirement benefit obligations (10)

Other areas:

- Property, plant and equipment (PPE) additions (*for the housing revenue account (HRA), other land and buildings and assets under construction (AUC)*), and the reclassification of AUC.
- Income streams including: fees, charges and other service income (*other than grant income*); other income below cost (*other than grant income*); HRA income and; collection fund income (*other than business rates*). Cut off testing over income was also performed.
- All material expenditure categories including; employee benefit expenses; premises expenses; supplies and services; third party payments; transfer payments and; other expenditure below net cost of service (*which includes interest income*). Cut off testing over expenditure also performed as well as search for unrecorded liabilities testing.
- Cash and cash equivalents including opening balances (i.e. 2022/23 comparatives).
- Investments.
- A proportion of the debtors balance (including housing tenant arrears).

- A proportion of the creditors balance (including goods received not invoiced (GRNI), Loans and Accrued Expenditure).

We have been unable to complete our work on the following areas:

- Opening balances, other than Cash and cash equivalents, and closing Property, Plant and Equipment balance given the reliance on the opening balances needed;
- Movements in usable and unusable reserves for the year ended 31 March 2024;
- Other material work areas: PPE disposals; grant income; business rates income and appeals provision; a proportion of the debtors balance; and a proportion of the creditors balance.

## Challenges with progressing work on the 2023/24 financial statements

As this was a first year audit, we experienced some delays and disruption as we built our understanding of the financial systems in place at the Council, and the nature and format of reports able to be extracted from those systems. We also experienced delays in management providing certain information in the format we required for our testing. Matters which led to challenges in performing the audit included the following:

*Delays in obtaining the required information in the correct format, in relation to listings and sample evidence for:*

- *Trial balance and journals report;*
- *Property, plant and equipment;*
- *Debtors and Creditors; and*
- *Council tax income.*

*Lack of availability of listings to support certain balances, primarily:*

- *Business rate appeal provisions; and*
- *Business rates income.*

We are in process of considering the impact on our audit fees as a result of these challenges.

We will work with management in advance of the 2024/25 audit to ensure these are addressed where possible. We expect that by concluding the 2023/24 audit by 28 February 2025, we will be afforded sufficient time during the 2024/25 audit cycle to complete all work on areas on which we are able to gain sufficient appropriate audit evidence (i.e. without assurance on opening balances at 01 April 2023).

# Our audit findings

We have set out below the status of our work and key findings from the work we were able to perform before the backstop date. On page 4 we have discussed the reasons for the disclaimer audit opinion.

## Significant audit risks Page 7 - 13

### Significant audit risks Our findings

Valuation of land and buildings	Work over the significant risk is complete with no misstatements identified. See page 8 for more details. Please note that the audit team did not gain assurance over the entire PPE balance, but of those assets revalued during the year.
---------------------------------	---

Management override of controls	Work over the significant risk is complete barring receipt of supporting evidence for a single immaterial sampled journal. A recommendation has been raised with regards to segregation of duties in the posting of certain types of manual journals. See Page 9 for more details.
---------------------------------	--

Valuation of post retirement benefit obligations	Work over the significant risk related assumptions is complete. Three non-material audit misstatements have been identified as outlined on Page 10. A recommendation has been raised with regards to management review of actuarial assumptions.
--	--

## Key accounting estimates Page 14

Valuation of Land and Buildings	We assessed as reasonable the assumptions underpinning the valuation.
---------------------------------	---

Valuation of Pension Liabilities	We assessed as reasonable the assumptions underpinning the valuation.
----------------------------------	---

## Uncorrected Audit Misstatements Page 27

Understatement/ (overstatement)	£k	%
Total Comprehensive Income and Expenditure	(2,224)	(2.8)
Net Assets	2,224	0.2

## Corrected Audit Misstatements Page 27

Understatement/ (overstatement)	£k	%
NA – None identified.		

## Misstatements in respect of Disclosures Page 27

Misstatement in respect of Disclosures	Our findings
NA – None identified.	

## Number of recommendations in relation to control deficiencies Pages 28 – 31

Significant control deficiencies	0
Other control deficiencies	3
Prior year control deficiencies requiring follow up	0

## Outstanding matters

Our audit is substantially complete except for the following outstanding matters:

- A small number of outstanding sampled transactions which we expect to have concluded by the 30 January 2025 Audit Committee meeting.
- Final review of Statement of Accounts for internal consistency and arithmetic accuracy and for compliance with the CIPFA Code.
- Management representation letter.
- Finalise audit report and sign.





# Significant risks

**We discussed the significant risks which had the greatest impact on our audit with you when we were planning our audit.**

Our risk assessment draws upon our knowledge of the business, the industry and the wider economic environment in which Welwyn Hatfield Borough Council operates.

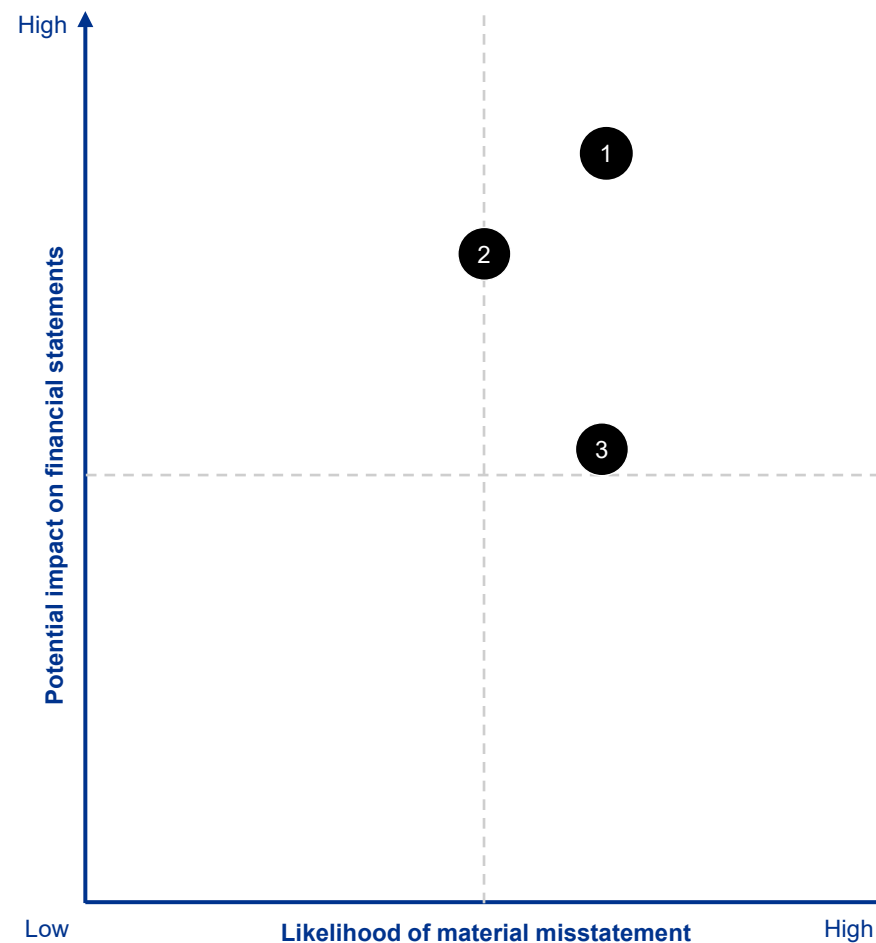
We also use our regular meetings with senior management to update our understanding and take input from local audit teams and internal audit reports.

In the pages overleaf we have reported the work we have completed on significant risks and other audit risks.

## Significant risks

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

**Key:** # Significant financial statement audit risks

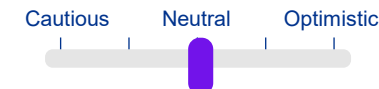


# Audit risks and our audit approach



## 1 Valuation of land and buildings

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



### ! Significant audit risk

The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate fair value at that date.

The Council conducts a full valuation every five years of HRA assets. In between these five yearly valuations an annual desktop review is undertaken.

With regards to general funds assets, a proportion of the assets are valued each year as part of a rolling programme whereby all assets will be valued at least once every 5 years

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

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

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

### ⚙️ Our response and findings

*Please note that the audit team did not gain assurance over the entire PPE balance, but work was performed in respect of those assets revalued in 2023/24.*

We have performed the following procedures designed to specifically address the significant risk associated with the valuation of land and buildings, including council dwellings:

- We critically assessed the independence, objectivity and expertise of the District Valuer (HRA assets) and Avison Young (general fund assets), the valuers used in developing the valuation of the Council's properties at 31 March 2024.
- We inspected the instructions issued to the valuers for the valuation of land and buildings to verify they are appropriate to produce a valuation consistent with the requirements of the CIPFA Code.
- We compared the accuracy of the data provided to the valuers for the development of the valuation to underlying information.
- We evaluated the design and implementation of controls in place for management to review the valuation and the appropriateness of assumptions used - **a recommendation has been raised to formalise the review performed, please see Recommendation 3 on Page 31.**
- We challenged the appropriateness of the valuation of land and buildings, including any material movements from the previous revaluations. We challenged key assumptions within the valuation as part of our judgement.
- We challenged the appropriateness of the valuation of dwellings on a sample basis with reference to available market data for comparable assets in a similar location.

We did not identify any audit misstatements from our work in respect of this significant risk.

# Audit risks and our audit approach (cont.)



2

## Management override of controls<sup>(a)</sup>

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



### Significant audit risk

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



### Our response and findings

Our audit methodology incorporates the risk of management override as a default significant risk. We have performed the following procedures designed to specifically address this significant risk:

- Assessed accounting estimates for biases by evaluating whether judgements and decisions in making accounting estimates, even if individually reasonable, indicate a possible bias;
- Evaluated the selection and application of accounting policies;
- In line with our methodology, evaluated the design and implementation of controls over journal entries and post closing adjustments – **a recommendation has been raised with regards to segregation of duties in the posting of certain types of manual journals, please see Recommendation 2 on Page 30;**
- Assessed the appropriateness of changes compared to the prior year to the methods and underlying assumptions used to prepare accounting estimates; and
- We analysed all journals through the year and focused our testing on those with a higher risk.

We did not identify any audit misstatements from the work performed in respect of this significant risk.

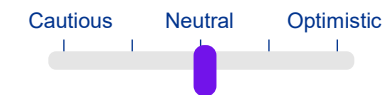
Note: (a) Significant risk that professional standards require us to assess in all cases.

# Audit risks and our audit approach (cont.)



## 3 Valuation of post retirement benefit obligations

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



### ! Significant audit risk

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

### ⚙️ Our response and findings

We have performed the following procedures designed to specifically address this significant risk:

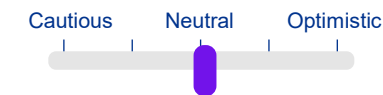
- Evaluated the competency, objectivity of the actuaries to confirm their qualifications and the basis for their calculations;
- Evaluated the design and implementation of controls in place for the Council to determine the appropriateness of the assumptions used by the actuaries in valuing the liability.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

# Audit risks and our audit approach (cont.)



## 3 Valuation of post retirement benefit obligations (continued)

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



### ! Significant audit risk

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

### ⚙️ Our response and findings (continued)

We have assessed the overall assumptions used by management as balanced relative to our central rates and within our reasonable range. We identified that future improvements to mortality was cautious, but still within reasonable range. All other individual assumptions were balanced and within our reasonable range (see Page 13).

We have identified three unadjusted audit differences following completion of the work to address this significant risk:

- Actual return on assets confirmed with the Fund was £824k greater than the return on assets within the IAS19 valuation report and the reported in the financial statements. This is due to the timing of the production of the initial actuarial report which is prior to the final returns for the financial year being determined;
- Net defined benefit obligation is overstated by £1,400k. This is because the scheme actuary has selected a time horizon of 20 years over which to calculate the minimum funding obligation in the scheme, whereas we consider that the maximum legal obligation is for a period of 18 years which results in a lower calculated obligation.
- We confirmed benefits paid with the Fund and the confirmed level was £1,170k greater than the amount used in the IAS19 actuarial report. This has no net effect on the defined benefit obligation as both scheme assets and liabilities are understated by the same amount.

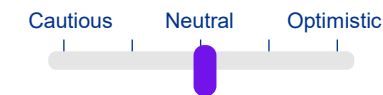
Upon review of the process and after discussions with management, we noted that there are no key controls in place around the assumptions. Although reviewed, management do not challenge the assumptions used or review the reasonableness of the calculations performed. **A recommendation has been raised to expand the level of the review performed, please see Recommendation 1 on Page 28.**

# Audit risks and our audit approach (cont.)



## 3 Valuation of post retirement benefit obligations (continued)

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



### Significant audit risk

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

### Our response and findings (continued)

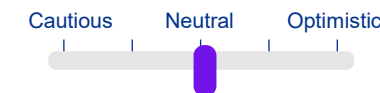
- We challenged management's assessment which has resulted in a £1.4m audit difference based on the funding horizon used for minimum funding requirements (MFR). We are recommending that management make appropriate narrative disclosure that the £21.91m MFR has been calculated using the information available in the rates & adjustments certificate and applying the contributions payable per the latest available year in the rates & adjustments certificates for the remainder of the funding horizon.
- Following the Court of Appeal's dismissal of the Virgin Media appeal, we have recommended that the Council makes appropriate narrative disclosure that it is currently not clear if there is any impact on the benefits in LGPS Funds, therefore it is not possible for employers to quantify the Defined Benefit Obligation impact, if any.

# Audit risks and our audit approach (cont.)



## 3 Valuation of post retirement benefit obligations (continued)

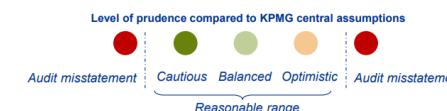
An inappropriate amount is estimated and recorded for the defined benefit obligation



### Significant audit risk

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

### Our response and findings (continued)



Overall assessment of assumptions for audit consideration						Balanced		
Underlying assessment of individual assumptions	Methodology	Consistent methodology to prior year?	Compliant methodology with accounting standard?	Employer	KPMG central	Assessment	Significant assumption	
Discount rate	AA yield curve	✓	✓	4.80%	4.81%	●	✓	
Unadjusted CPI	Underlying CPI assumption before adjustments for emerging inflation	✓	✓	2.85%	2.85%	●	✓	
Pension increases	In line with CPI	✓	✓	2.80%	2.88%	●		
Salary increases	Employer best estimate	✓	✓	3.30%	In line with long-term remuneration policy	●		
Mortality	Base tables	In line with most recent Fund valuation	✓	✓	Fund-specific based on Club Vita Curves	In line with best-estimate Fund experience	●	✓
	Future improvements	In line with most recent Fund valuation, updated to use latest CMI model	✓ See page 10	✓	CMI 2022, 1.5% long-term trend rate, initial addition parameter of 0.25% and default other parameters	CMI 2022, 1.25% long-term trend rate and default other parameters	●	✓
Other demographics	In line with most recent Fund valuation	✓	✓	45% of maximum additional tax-free cash up to HMRC limits	In line with Scheme experience	●		

# Key accounting estimates and management judgements – Overview



## Our view of management judgement

Our views on management judgments with respect to accounting estimates are based solely on the work performed in the context of our audit of the financial statements as a whole. We express no assurance on individual financial statement captions.

Asset/liability class	Our view of management judgement	Balance (£m)	YoY change (£m)	Our view of disclosure of judgements & estimates	Further comments
<b>LGPS Gross Liability</b>		<b>(213)</b>	<b>(34)</b>		Our actuarial specialists have assessed the overall assumptions used by management in valuing the pension liabilities as balanced and within our reasonable range. No issues were noted in the judgements made in the valuation of pension liabilities.
<b>LGPS Gross Asset</b>		<b>191</b>	<b>12</b>		We have assessed the asset returns adopted by the Fund and the consistency of asset allocation and share of scheme assets year on year. We identified a £0.8m timing difference between the asset returns available as at the publication of the draft accounts and as at the audit date.
<b>Valuation of Land and Buildings</b>		<b>1,186</b>	<b>(20)</b>		We consider the estimate to be balanced based on the procedures performed ( <i>note the revalued portion of land and buildings was considered as opposed to the full balance</i> ). However, a recommendation has been raised to formalise the review performed, please see Recommendation 5 on page 30.



# Other matters



## Narrative report

While we are disclaiming our audit opinion and not reporting on the narrative report, we have identified the following based on the work performed:

- We have not identified any inconsistencies between the contents of the Narrative Report and the financial statements.
- We have not identified any material inconsistencies between the knowledge acquired during our audit and the statements of the Council.

As Audit Committee members you confirm that you consider that the Narrative Report and financial statements taken as a whole are fair, balanced and understandable and provides the information necessary for regulators and other stakeholders to assess the Council's performance, model and strategy.

However, we note that we have not obtained sufficient appropriate audit evidence to issue an unmodified audit opinion. Due to this, and the possible consequential effect on the related disclosures in the Narrative Report, we are unable to determine whether there are material misstatements in the Narrative Report.

## Annual Governance Statement

While we are disclaiming our audit opinion and not reporting on the Annual Governance Statement, we have identified the following based on the work performed:

- We have completed the work to consider whether it complies with Delivering Good Governance in Local Government: A Framework published by CIPFA/SOLACE; and
- It is not misleading and is consistent with other information we are aware of from our audit of the financial statements.

However, note that we have not obtained sufficient appropriate audit evidence to issue an unmodified audit opinion. Due to this, and the possible consequential effect on the related disclosures in the Annual Governance Statement, we are unable to determine whether there are material misstatements in the Annual Governance Statement.

## Whole of Government Accounts

As required by the National Audit Office (NAO) we carry out specified procedures on the Whole of Government Accounts (WGA) consolidation pack.

We have confirmed that, for Welwyn Hatfield Borough Council, the threshold at which detailed testing is required has not been exceeded.

## Independence and Objectivity

ISA 260 also requires us to make an annual declaration that we are in a position of sufficient independence and objectivity to act as your auditors, which we completed at planning and no further work or matters have arisen since then.

## Audit Fees

Our PSAA 2023/24 audit scale fee for the audit was **£169,227** plus VAT (£56,921 in 2022/23) We have also agreed fee variations to date of £10,150 with management. Refer to page 23 for more details.

We have also completed non audit work at the Council during the year on Pooling of Housing Capital Receipts (PHCR) Certification and Housing Benefit Assurance Process (HBAP) Certification and have included in on page 24 confirmation of safeguards that have been put in place to preserve our independence.



# Value for money



# Value for money

We are required under the Audit Code of Practice to confirm whether we have identified any significant weaknesses in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources irrespective of the statutory backstop as explained on page 4.

In discharging these responsibilities we include a statement within the opinion on your accounts to confirm whether we have identified any significant weaknesses. We also prepare a commentary on your arrangements that is included within our Auditor's Annual Report, which is required to be published on your website alongside your annual report and accounts.

## Commentary on arrangements

We have prepared our Auditor's Annual Report and a copy of the report is included within the papers for the Committee alongside this report. The report is required to be published on your website alongside the publication of the annual report and accounts.

## Response to risks of significant weaknesses in arrangements to secure value for money

As noted on the right, we have identified no risks of significant weaknesses. As a result of the work we have identified no significant weaknesses.

## Performance improvement observations

As part of our work we have identified four Performance Improvement Observations, which are suggestions for improvement but not responses to identified significant weaknesses. These are set out within our Auditor's Annual Report.

## Summary of findings

We have set out in the table below the outcomes from our procedures against each of the domains of value for money:

Domain	Risk assessment	Summary of arrangements
Financial sustainability	No significant risks identified	No significant weaknesses identified
Governance	No significant risks identified	No significant weaknesses identified
Improving economy, efficiency and effectiveness	No significant risks identified	No significant weaknesses identified



# Appendices

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# Local Audit - Reset and Recovery



## Background

It has been widely reported the level of delays in Local audit had grown to an unacceptable level. As a result, Central Government has been working with the Financial Reporting Council (FRC), as incoming shadow system leader and other system partners to develop proposals to address issues in the local audit. These consist of three stages:

Phase 1: **Reset** involving clearing backlog of historical audit opinions.

Phase 2: **Recovery** from Phase 1 in a way that does not cause a recurrence of the backlog by using backstop dates to allow assurance to be rebuilt over multiple audit cycle.

Phase 3: **Reform** involving address systemic challenge in the local audit system and embedding timely financial reporting and audit.

## Implementation of Reset and Recovery

The Accounts and Audit (Amendment) Regulations 2024, introduced backstop dates by which local bodies must publish audited accounts and the NAO have also issued the revised 'Code of Audit Practice 2024' [Code of Audit Practice](#) that requires auditors to give an opinion in time to enable local bodies to comply with the backstop date. The table overleaf identifies the backstop dates and the status of your audits where impacted.

The NAO has also published Local Audit Rest And Recovery Implementation Guidance (LARRIGs), which have been prepared and published with the endorsement of the FRC and are intended to support auditors in meeting their requirements under the Act <https://www.nao.org.uk/code-audit-practice/guidance-and-information-for-auditors>

# Local Audit - Reset and Recovery



Financial year	Date
Up to 2022/23	13 December 2024
2023/24	28 February 2025
2024/25	27 February 2026
2025/26	31 January 2027
2026/27	30 November 2027
2027/28	30 November 2028

## Recovery period and audit work

The implication of receiving a disclaimed audit opinion for the financial year 2022/23 means that for the financial year 2023/24 we have not been able to rely on the opening balances from 2022/23.

To obtain sufficient appropriate audit evidence over opening balances, auditing standards identify two approaches. One of those is to use the working papers and other information available on the prior year audit file, which as noted above has not been possible as the outgoing auditor has not been able to complete their audit. An alternative approach is the performance of specific audit procedures to obtain evidence regarding opening balances.

The LARRIGs, in particular LARRIG 05 *Rebuilding assurance following a disclaimed audit opinion*, was only finally published in September 2024 and further guidance, mentioned in the LARRIG in the format of a case study was only released in December 2024.

We also note there is an ongoing sector wide process, convened by the Financial Reporting Council (FRC) with other stakeholders to determine the appropriate level of work to perform to obtain sufficient appropriate audit evidence over opening balances. This, along with the backstop date for 2022/23 being only 2 months prior to that of the 2023/24 period, has limited the extent of building back assurance that has been possible in 2023/24.

During our audit of 2023/24 we have completed certain work on the closing balances for 2023/24 and in year transactions (see page 6) and this will contribute to rebuilding assurance.

The table overleaf identifies an indicative pathway to returning to an unmodified opinion. However, it must be noted this is only an indicative pathway and the speed of progress will depend on a range of factors including the level of work required to provide assurance on opening balances, in particular PPE balances and reserves balances.

# Local Audit – Reset and Recovery

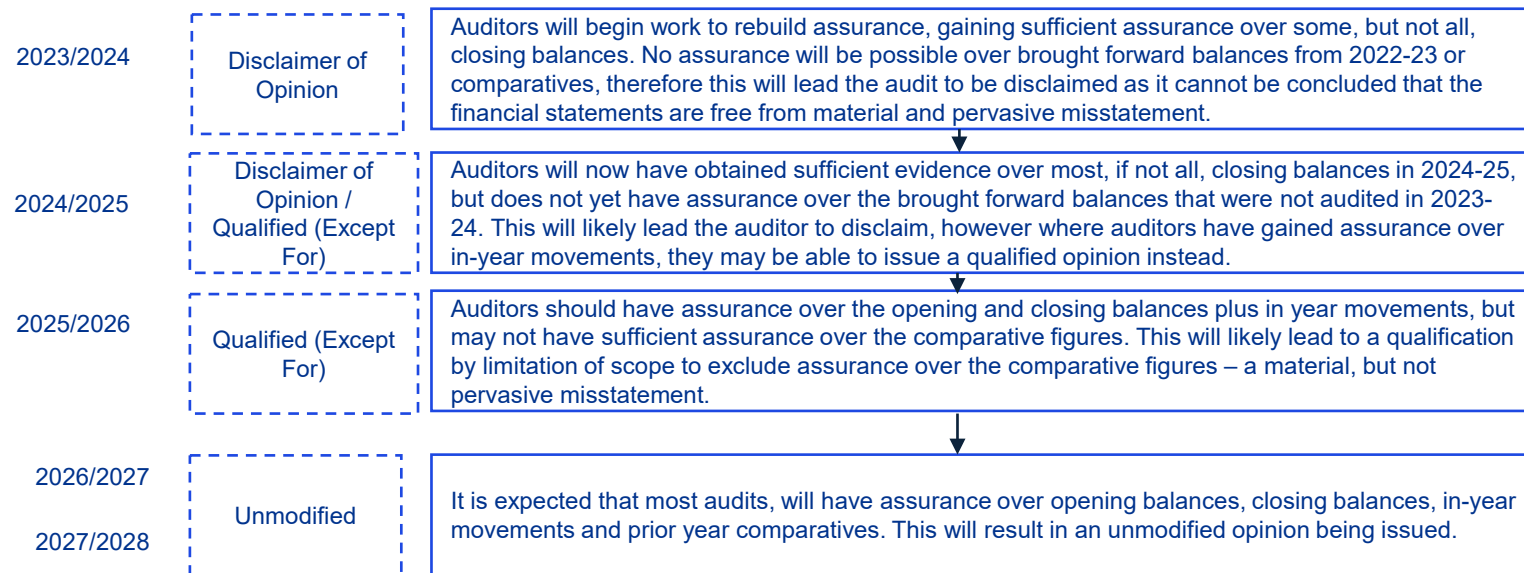


## Rebuilding assurance

Given the importance and complexity of reserves balances and management, a detailed risk assessment will be undertaken to understand the level of work required to obtain sufficient appropriate audit evidence on the reserves balances. As noted on the previous page, there is an ongoing sector wide process with other stakeholders to determine the appropriate level of work to perform to obtain sufficient appropriate audit evidence over opening balances.

We note there may be other factors which impact on the speed of this work – such as the support provided by the audited entity and availability and quality of audit evidence. Where such support is not provided and the availability and quality of audit evidence is not present this will significantly impact on the time taken to build back assurance and the likely cost of such a process in terms of audit fees. We note the challenges identified on page 5 regarding this year’s audit. As we complete our debrief with management, we can discuss how assurance can be gained on individual account balances and ultimately lead to a position that unmodified opinions can be issued in future years.

**Indicative pathway based is reproduced from the LARRIGs**



# Required communications

Our response to these required communications reflects the status of the audit at the point of the backstop.

Type	Response
<b>Our draft management representation letter</b>	<input checked="" type="checkbox"/> OK We have not requested any specific representations in addition to those areas normally covered by our standard representation letter for the year ended 31 March 2024.
<b>Adjusted audit differences</b>	<input checked="" type="checkbox"/> OK There were £nil adjusted audit differences. See page 27.
<b>Unadjusted audit differences</b>	<input checked="" type="checkbox"/> OK The aggregated surplus impact of unadjusted audit differences would be £2.2m. Unadjusted differences are not material individually or in aggregate.
<b>Related parties</b>	<input checked="" type="checkbox"/> OK There were no significant matters that arose during the audit in connection with the entity's related parties.
<b>Other matters warranting attention by the Audit Committee</b>	<input checked="" type="checkbox"/> OK There were no matters to report arising from the audit that, in our professional judgment, are significant to the oversight of the financial reporting process.
<b>Control deficiencies</b>	<input checked="" type="checkbox"/> OK We communicate to management in writing all deficiencies in internal control over financial reporting of a lesser magnitude than significant deficiencies identified during the audit within this document.
<b>Actual or suspected fraud, noncompliance with laws or regulations or illegal acts</b>	<input checked="" type="checkbox"/> OK No actual or suspected fraud involving Council management, employees with significant roles in internal control, or where fraud results in a material misstatement in the financial statements identified during the audit.
<b>Issue a report in the public interest</b>	<input checked="" type="checkbox"/> OK We are required to consider if we should issue a public interest report on any matters which come to our attention during the audit. We have not identified any such matters.

Type	Response
<b>Significant difficulties</b>	<input checked="" type="checkbox"/> OK No significant difficulties were encountered during the audit.
<b>Modifications to auditor's report</b>	<input checked="" type="checkbox"/> X Our audit opinion will be disclaimed.
<b>Disagreements with management or scope limitations</b>	<input checked="" type="checkbox"/> OK The engagement team had no disagreements with management and no scope limitations were imposed by management during the audit.
<b>Other information</b>	<input checked="" type="checkbox"/> OK No material inconsistencies were identified related to other information in the narrative report. The narrative report is fair, balanced and comprehensive, and complies with the law.
<b>Breaches of independence</b>	<input checked="" type="checkbox"/> OK No matters to report. The engagement team and others in the firm, as appropriate, have complied with relevant ethical requirements regarding independence.
<b>Accounting practices</b>	<input checked="" type="checkbox"/> OK Over the course of our audit, we have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. In general, we believe these are appropriate.
<b>Significant matters discussed or subject to correspondence with management</b>	<input checked="" type="checkbox"/> OK There were no significant matters arising from the audit which required discussion, or were subject to correspondence, with management.
<b>Certify the audit as complete</b>	<input checked="" type="checkbox"/> OK We have not yet certified the audit as complete because our work on WGA is outstanding.
<b>Provide a statement to the NAO on your consolidation schedule</b>	<input checked="" type="checkbox"/> OK We have confirmed that, for Welwyn Hatfield Borough Council, the threshold at which detailed testing is required has not been exceeded.





# Fees

## Audit fee

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

Entity	2023/24 (£'000)	2022/23 (£'000)
Statutory audit	169	57 <sup>(a)</sup>
Fee variation: ISA315r	10	-
Other Fee Variations - TBC		
<b>TOTAL</b>	<b>179</b>	<b>57</b>

## Billing arrangements

- Fees have been billed in accordance with the milestone completion phasing that has been communicated by the PSAA.
- As per PSAA's Scale Fees Consultation, the scale fees did not include new requirements of ISA315 revised (risk of material misstatement).
- Additional fees charged are subject to the fees variation process as outlined by the PSAA.

Note: (a) Scale fee charged by Ernst & Young LLP – your predecessor auditor (does not include any agreed fee variations).

## Proposed fee variations

	Recurrent?	£
New auditing standards (ISA (UK) 315) not included in scale fee	Yes – built into FY25 scale fee by PSAA	10,150
Additional work related to delays in provision of information for testing of Council Tax and NNDR (Business Rates)	No, assuming we are able to address in 2024/25 via debrief process	Pending discussion and agreement with management
Additional work to identify population of PPE additions in a format that can be tested	No, assuming we are able to address in 2024/25 via debrief process	
Delays to completion of certain planning activities including walkthroughs of some key processes	No, assuming we are able to address in 2024/25 via debrief process	



# Confirmation of Independence



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

## To the Audit Committee members

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

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

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

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

### General procedures to safeguard independence and objectivity

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

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

We are satisfied that our general procedures support our independence and objectivity [except for those detailed below where additional safeguards are in place].

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

#### Summary of non-audit services

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

# Confirmation of Independence (cont.)



Disclosure	Description of scope of services	Principal threats to Independence	Safeguards Applied	Basis of fee	Value of Services Delivered in the year ended 31 March 2024 £k	Value of Services Committed but not yet delivered £k
1	Pooling of Housing Capital Receipts (PHCR) Certification	None identified	<ul style="list-style-type: none"> <li>The engagement contract makes clear that we will not perform any management functions.</li> <li>The work is performed is not relied on during the audit.</li> <li>Our work does not involve judgement and are statements of fact based on agreed upon procedures.</li> </ul>	Fixed	TBC	TBC
2	Housing Benefit Assurance Process (HBAP) Certification	None identified	<ul style="list-style-type: none"> <li>The engagement contract makes clear that we will not perform any management functions.</li> <li>The work is performed is not relied on during the audit.</li> <li>Our work does not involve judgement and are statements of fact based on agreed upon procedures</li> </ul>	Fixed	TBC	TBC

# Confirmation of Independence (cont.)



## Summary of fees

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

## Fee ratio

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

	2023/24
	£'000
Scale Fee and agreed fee variations	179
Other Assurance Services	TBC
<b>Total Fees</b>	<b>TBC</b>

## Application of the FRC Ethical Standard 2019

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

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

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

## Independence and objectivity considerations relating to other matters

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

## Confirmation of audit independence

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

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

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

Yours faithfully

KPMG LLP

# Audit misstatements



Given we are disclaiming our audit opinion as described on page 4 there may be other audit misstatements our audit procedures would have identified if we completed our audit procedures as initially planned. In this section, we have reported corrected audit misstatements that we have identified.

Under UK auditing standards (ISA (UK) 260) we are required to provide the Audit Committee with a summary of corrected audit differences (including disclosures) identified during the course of our audit. The adjustments below have been included in the financial statements.

## Corrected audit differences (£'000s)

NA – None identified

## Uncorrected audit differences (£'000s)

No.	Detail	SOCI Dr/(cr)	SOFP Dr/(cr)	Comments
1	Dr LGPS Plan Assets Cr Return on Assets (OCI)	(824)	824	Actual return on assets confirmed with the Fund was £824k greater than the return on assets within the IAS19 valuation report and the reported in the financial statements. This is due to the timing of the production of the initial actuarial report which is prior to the final returns for the financial year being determined.
2	Dr Net Defined Benefit Obligation Cr Remeasurement of Net Pension (OCI)	(1,400)	1,400	Net defined benefit obligation is overstated by £1,400k. This is because the scheme actuary has selected a time horizon of 20 years over which to calculate the minimum funding obligation in the scheme, whereas we consider that the maximum legal obligation is for a period of 18 years which results in a lower calculated obligation.
3	Dr Gross Pension Liabilities Cr Gross Pension Assets		1,170 (1,170)	We confirmed benefits paid with the Fund and the confirmed level was £1,170k greater than the amount used in the IAS19 actuarial report. This has no net effect on the defined benefit obligation as both scheme assets and liabilities are understated by the same amount.

## Misstatements in respect of Disclosures (£'000s)

NA – None identified

# Recommendations in relation to control deficiencies



Although we are disclaiming our audit opinion we have reported recommendations as a result of our work in the current year are as follows:

## Priority rating for recommendations

- 1 Priority one:** issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.
- 2 Priority two:** issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.
- 3 Priority three:** issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.

#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date
1	3	<p><b>Management review of pension assumptions</b></p> <p><b>Finding:</b></p> <p>Auditing standards require us to report to those charged with governance our evaluation of management review controls in respect of significant estimates within the financial statements. We consider that management’s review processes relating to defined benefit pension assumptions that have been undertaken to be proportionate to the entity, its size and operations. Management reviews the assumptions and methodologies used in the calculation of the IAS 19 report. This includes inputs to testing such as cash flow, membership data and asset balances. This is based on their understanding of the pension scheme, the accounting standard and the business process and circumstances.</p> <p>However, the design and implementation of this management review does not meet the requirements of a formal management review control as defined by International Standards on Auditing (ISAs). This is because the level of in-house actuarial expertise does not exist within the organisation to undertake a full management review that challenges the assumptions proposed by the scheme actuaries. Also, we identified that there is no criteria or threshold developed for investigation/identification of outliers for pension assumptions. Therefore, it does not allow for an objective criteria to perform their review on and therefore it is ineffective. Thus, there is not sufficiently well-defined process in place for it to meet the criteria of an effective review control.</p>	<p><b>Management Response:</b></p> <p>The findings and recommendations are acknowledged. As stated in the recommendations, this is a common matter in local government audit. The standards set a very high bar, and the Council does not have internal actuaries as perhaps might be seen in large private sector organisations.</p> <p>Management however do undertake reviews on the assumptions used by the actuaries and have an opportunity to have these assumptions revised or updated if they feel it would be appropriate to do so. It is acknowledged that this review is not currently documented, and this will be introduced from the 2024/25 final accounts process onwards.</p> <p>We are aware that pensions reporting is an area regularly flagged to the government as one of the barriers to timely accounts completion, and that the government may be considering changes in future to the reporting of these. Any changes proposed may simplify reporting and audit arrangements on this area in future. The government consultation on audit reform is currently live.</p>

# Recommendations in relation to control deficiencies (cont.)



#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date
1	3	<p><b>Management review of pension assumptions (cont.)</b></p> <p><b>Risk:</b></p> <p>The pension liability is material to the financial statements. Accounting for defined benefit schemes involves the use of actuarial assumptions (e.g. discount rate, interest rate, mortality rate, rate of salary and pensions increases), complex calculations, up to date scheme data and judgement over matters of accounting treatment (e.g. recognition of surpluses, treatment of changes in benefits and curtailments). These give rise to risks of inappropriate estimates and incorrect accounting treatment respectively. Small changes in the assumptions could lead to a potential range of reasonable outcomes being greater than materiality for the financial statements. Due to the size of the defined benefit scheme compared with materiality for the financial statements as a whole these assumptions are considered to introduce a high level of estimation uncertainty which we have determined under ISA540 to represent a significant risk.</p> <p>We acknowledge that whilst management recognise the importance of having ownership over the defined benefit pension valuation, they draw on the expertise of actuarial experts engaged by the Council.</p> <p><b>Recommendation:</b></p> <p>This is a common finding in the Local Government sector. However, should management wish to meet this requirement they will need to carry out a predictive review of the methodology and assumptions that are being proposed to calculate the net Defined Benefit Pension liability. As a minimum, we recommend that management's assessment of these assumptions is fully documented from the 2024/25 financial year onwards. This should include a review of the financial assumptions, including particularly the salary increase assumption, as well as the appropriateness of the membership data and cash flow (contributions) data reported by the actuary.</p>	<p><b>Officer:</b></p> <p>Richard Baker (Executive Director (Finance and Transformation))</p> <p><b>Due Date:</b></p> <p>31 March 2025</p>

# Recommendations in relation to control deficiencies (cont.)



#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date
2	3	<p><b>Segregation of duties in the posting of manual journal transactions</b></p> <p><b>Finding:</b> For certain manual journal types, specifically those which do not go through a workflow, segregation of duties with regards to their posting is not enforced.</p> <p><b>Risk:</b> There is a risk of manual journals without segregation of duties being posted that results in inappropriate or erroneous entries being posted to the ledger going undetected. This is therefore linked to our Management Override of Controls significant risk.</p> <p><b>Recommendation:</b> This is a common finding in the Local Government sector. However, best practice would be for segregation of duties to be in place for all manual journals between the person preparing and approving the journal. Where this cannot be enforced by the system, a process should be put in place to identify self-approved journals so that their appropriateness can be reviewed by a senior member of the team retrospectively.</p>	<p><b>Management Response:</b> It is recognised that this approach could be improved, and the team will be investigating the journals that are undertaken without workflow with a view to implement the following for each type of journal:</p> <ul style="list-style-type: none"> <li>• Where possible, systems will be updated to ensure transactions are coded at source, for example, the coding of investments direct from bank transactions using the cash receipting system;</li> <li>• Where coding at source is not possible, workflow will be introduced to provide an authoriser to the journals;</li> <li>• Where this is not possible, manual reporting will be undertaken to report on, review, and approve posted journals at an agreed frequency.</li> </ul> <p>Whilst it is agreed this will ensure the council is delivering best practice, it should be noted that there are already strong segregation of duties between staff and journal postings, which would flag any irregularities. As an example, taking the processing and coding of investments:</p> <ul style="list-style-type: none"> <li>• The investment is placed by the Treasury, Insurance and Controls Officer</li> <li>• The investment is approved by one of 4 senior officers named in the Treasury Management Principles and Practices.</li> <li>• The journal is posted by a Financial Processes Officer*</li> <li>• The bank reconciliation is completed by the Financial Processes Team Leader</li> <li>• The investment reconciliation is completed by a Financial Processes Officer*, authorised by Financial Processes Team Leader</li> <li>• The Financial Processes Officers listed are two different individuals</li> </ul> <p><b>Officer:</b> Richard Baker (Executive Director (Finance and Transformation))</p> <p><b>Due Date:</b> Investigation to be performed initially</p>



# Recommendations in relation to control deficiencies (cont.)



#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date
3	3	<p><b>Review of valuer assumptions</b></p> <p><b>Finding:</b></p> <p>We have confirmed that management undertakes an initial review of the valuation reports and challenges the District Valuer (HRA assets) and Avison Young (general fund assets) in respect of specific movements and adjustments to land and building values. However, management does not complete a formal review or approval of the assumptions provided by the valuers in a manner that represents an effective Management Review Control. As these are significant estimates, we are required by auditing standards to consider whether an effective Management Review Control exists and report to you where we have not identified such a control.</p> <p><b>Risk:</b></p> <p>The lack of formal review increases the risk of errors being unidentified, leading to misstatements within the financial statements.</p> <p><b>Recommendation:</b></p> <p>This is a common finding in the Local Government sector. We recommend that management documents a formal review of the valuers' assumptions used on an annual basis, such as the increase in BCIS indices for specialised properties, the yield rate used for non-specialised properties and investment properties, and the change in beacon values for Council Dwellings. As a result of this process, management should challenge the valuer where the assumptions used are inconsistent with management's expectations.</p>	<p><b>Management Response:</b></p> <p>As stated in the recommendations, this is a common matter in local government audit. The findings and recommendations are acknowledged, in particular around keeping a documented trail of the review.</p> <p>Management do undertake reviews on the valuations, including comparing valuation changes to recognised indices, and querying any outliers to this. The Council Estates team also input into the process and undertake reviews of the commercial valuations, querying and challenging these where they feel appropriate. We will be looking to implement a way to document the review that has been undertaken, with appropriate evidence, in order to support the audit of the accounts.</p> <p><b>Officer:</b></p> <p>Richard Baker (Executive Director (Finance and Transformation))</p> <p><b>Due Date:</b></p> <p>31 March 2025</p>

# Performance Improvement Observations in respect of VFM arrangements



#	Issue	Management Response
1	<p><b>Evidence of challenge around risk actions</b>                      Opportunities for challenge of risk actions, including actions to manage financial risks, is via the provision of risk registers and risk reports to the Audit Committee, Overview and Scrutiny Committee and Cabinet.</p> <p>However, within the minutes of the meetings at which the risks registers were presented, the evidence of challenge was limited. For example, the Cabinet minutes did not indicate that any attendees queried or questioned the details relating to the finance risks, and the Overview and Scrutiny Committee minutes made no specific reference to the finance risks.</p> <p>The Council should consider maintaining a more detailed record of financial risks decisions in those key forums that have responsibilities around financial risks, to ensure appropriate challenge is captured.</p>	<p>The Executive are fully briefed on the councils risks through Executive Member Briefings, Cabinet briefings and Performance Clinic. In addition, specifically on Financial risks, to which the focus of the recommendation is on, the Cabinet receive budget monitoring reports which highlights emerging risks. They are also briefed through the year on the Medium Term Financial Forecasts, including how risks are considered in short and medium term planning. Wider councillor groups also receive similar finance briefing, for example the annual finance seminar, group briefings, task and finish panel presentations and OSC presentations.</p> <p>It should also be noted that officers seek to highlight and explain any key changes in risks when presenting risk reports to committees, including financial risks, in order to assist with members understanding prior to opening the floor to questions.</p> <p>Reviewing the minutes of the Audit Committee in relation to meetings held during 2023/24, the following is a summary of discussions on financial risks:</p> <ul style="list-style-type: none"> <li>• 28 June 2023 – Officers explained and brought to the attention of members a key income stream risk for which the risk score had been amended, also highlighting and explaining the strategic financial sustainability risk. Members raised queries on the strategic risk asking for clarity around funding and use of reserves to which officers provided responses.</li> <li>• 18 September 2023 – Members raised queries in relation to risk on the medium-term financial position of the councils, and on inflationary risks to which officers provided responses.</li> <li>• 18 March 2024 – Officers explained and brought to the attention of members the amendments made to the strategic risk in relation to finance.</li> </ul> <p>In relation to OSC, the budget is scrutinised through the use of a Task and Finish Group commissioned by OSC. During the Task and Finish Panels held during 2023/24, Members were presented with information on the councils finances, including medium term assumptions used and an overview of the sensitivity analysis undertaken, an overview of in year pressures and emerging risks, government funding forecasts and risks associated with these, capital financing and borrowing risks and forecasts. The minutes of these meetings demonstrate that members understood possible impacts to proposals, with questions being raised around subject matters like price-elasticity, around key income stream volatility, the impact of the cost-of living crisis.</p> <p>The level of challenge and debate on risks, will be highly dependent on Councillors understanding of risk. Where members feel they understand the risks and controls, and agree with what is presented, it less likely questions/challenge will be raised. The financial risk commentary is comprehensive to assist with members understanding.</p> <p>We agree that the understanding and challenge to risk is essential. We believe there are robust processes and procedures in place to enable this, and feel there are records in place that demonstrate that members consider and challenge financial risks.</p>

# Performance Improvement Observations in respect of VFM arrangements (cont).



#	Issue	Management Response
2	<p><b>Detailed information within risk registers</b></p> <p>The Council should consider increasing the level of detail of the controls/actions in place to respond to risks within the risk register, to ensure those charged with governance have clear information pertaining to how the risks are to be addressed.</p> <p>For example, the fire safety primary action is, "Programmes are regularly reviewed and updated to ensure compliance." However, it is less clear for the users of this report what is meant by 'regularly' and the nature or depth of the review completed.</p>	<p>The council introduced a new risk management policy, strategy and framework in 2023, which was followed by a full review of the risk register. These changes brought significant improvements to the reporting and oversight of risk, which has previously been noted by the audit committee.</p> <p>It is recognised that further focus on the controls, and providing clarity on some of these controls, would improve the understanding of risk controls by the readers of the reports. The Senior Management Team will be asked to undertake a review of all risk controls to ensure that these are clear for the readers of the risk register. Refresher training for risk management is planned for 2025 and the documentation of controls will be given some additional focus to assist with enhancing this are of the reports.</p>
3	<p><b>Tracking of actions from budget monitoring meetings</b></p> <p>The Council has indicated that a template is being developed to track the actions emerging from budget monitoring meetings held between the budget holders and Finance business partners.</p> <p>We consider that such a template should be developed and implemented, as this will assist with monitoring and addressing emerging pressures and/or unexpected variances in financial performance.</p>	<p>This action is being implemented following a recommendation from the Internal Audit Team. The team will be introducing this for the 2025/26 financial year, where a new log will be created to run alongside the financial monitoring reports.</p>

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



## Ongoing impact of the revisions to ISA (UK) 240

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

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

## Matters related to fraud that are, in our judgement, relevant to the responsibilities of Those Charged with Governance

We considered the following matters required by ISA (UK) 240 (revised May 2021, effective for periods commencing on or after 15 December 2021) *The auditor's responsibilities relating to fraud in an audit of financial statements*, to communicate regarding management's process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud:

- Concerns about the nature, extent and frequency of management's assessments of the controls in place to prevent and detect fraud and of the risk that the financial statements may be misstated.
- A failure by management to address appropriately the identified significant deficiencies in internal control, or to respond appropriately to an identified fraud.
- Our evaluation of the entity's control environment, including questions regarding the competence and integrity of management.
- Actions by management that may be indicative of fraudulent financial reporting, such as management's selection and application of accounting policies that may be indicative of management's effort to manage earnings in order to deceive financial statement users by influencing their perceptions as to the entity's performance and profitability.
- Concerns about the adequacy and completeness of the authorization of transactions that appear to be outside the normal course of business.

Based on our assessment, we have no matters to report to Those Charged with Governance.

# ISA (UK) 315 Revised: changes embedded in our practices



## Summary

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

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

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

### What impact did the revision have on audited entities?

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

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

### Implementing year 1 findings into the subsequent audit plan

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

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

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

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

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

### What will this mean for our on-going audits?

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

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

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



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The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

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# Auditor's Annual Report for Welwyn Hatfield Borough Council

**DRAFT**

Year-ended 31 March 2024

—

30 January 2025

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This report is addressed to Welwyn Hatfield Borough Council (WHBC). We take no responsibility to any member of staff acting in their individual capacities, or to third parties.

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

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**01**

# **Executive Summary**

# Executive Summary

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## Purpose of the Auditor’s Annual Report

This Auditor’s Annual Report provides a summary of the findings and key issues arising from our 2023-24 audit of Welwyn Hatfield Borough Council (WHBC). This report has been prepared in line with the requirements set out in the Code of Audit Practice published by the National Audit Office and is required to be published by WHBC alongside the annual report and accounts.

## Our responsibilities

The statutory responsibilities and powers of appointed auditors are set out in the Local Audit and Accountability Act 2014. In line with this we provide conclusions on the following matters:



**Accounts** - We provide an opinion as to whether the accounts give a true and fair view of the financial position of WHBC and of its income and expenditure during the year. We confirm whether the accounts have been prepared in line with the CIPFA/LASSAC Code of Practice in Local Authority Accounting (‘the Code’).



**Narrative report** - We assess whether the narrative report is consistent with our knowledge of WHBC.



**Value for money** - We assess the arrangements in place for securing economy, efficiency and effectiveness (value for money) in WHBC’s use of resources and provide a summary of our findings in the commentary in this report. We are required to report if we have identified any significant weaknesses as a result of this work.



**Other powers** - We may exercise other powers we have under Local Audit and Accountability Act. These include issuing a Public Interest Report, issuing statutory recommendations, issuing an Advisory Notice, applying for a judicial review, or applying to the courts to have an item of expenditure declared unlawful.

In addition to the above, we respond to valid objections received from electors.

## Findings

We have set out below a summary of the conclusions that we provided in respect of our responsibilities.

<b>Accounts</b>	We issued a disclaimed opinion on WHBC’s accounts on <b>XX</b> February 2025.  We have provided further details of the key risks we identified and our response on pages 8-10.
<b>Narrative report</b>	We did not identify any significant inconsistencies between the content of the narrative report and our knowledge of WHBC.
<b>Value for money</b>	We are required to give an opinion as to whether WHBC has appropriate arrangements in place to secure economy, efficiency, and effectiveness in the use of resources.  Our opinion is that WHBC does have appropriate arrangements place. We identified no significant weaknesses in respect of arrangements to secure economy, efficiency, and effectiveness in the use of resources. Further details are set out on page 12.
<b>Other powers</b>	See overleaf.

# Executive Summary



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There are several actions we can take as part of our wider powers under the Local Audit and Accountability Act:

## Public interest reports

We may issue a Public Interest Report if we believe there are matters that should be brought to the attention of the public.

If we issue a Public Interest Report, WHBC is required to consider it and to bring it to the attention of the public.

**We have not issued a Public Interest Report this year.**

## Judicial review/Declaration by the courts

We may apply to the courts for a judicial review in relation to an action WHBC is taking. We may also apply to the courts for a declaration that an item of expenditure WHBC has incurred is unlawful.

**We have not applied to the courts this year.**

## Recommendations

We can make recommendations to WHBC. These fall into two categories:

1. We can make a statutory recommendation under Schedule 7 of the Local Audit and Accountability Act. If we do this, WHBC must consider the matter at a general meeting and notify us of the action it intends to take (if any). We also send a copy of this recommendation to the relevant Secretary of State.
2. We can also make other recommendations. If we do this, WHBC does not need to take any action, however should WHBC provide us with a response, we will include it within this report.

**We made no recommendations under Schedule 7 of the Local Audit and Accountability Act.**

## Advisory notice

We may issue an advisory notice if we believe that WHBC has, or is about to, incur an unlawful item of expenditure or has, or is about to, take a course of action which may result in a significant loss or deficiency.

If we issue an advisory notice, WHBC is required to stop the course of action for 21 days, consider the notice at a general meeting, and then notify us of the action it intends to take and why.

**We have not issued an advisory notice this year.**

In addition to these powers, we can make performance improvement observations to make suggestions to the WHBC as a result of our findings. Where we raise observations we report these to management and the Audit Committee. WHBC is not required to take any action to these, however it is good practice to do so and we have included any responses that WHBC has given us.

**02**

# **Audit of the financial statements**

# Audit of the financial statements



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## KPMG provides an independent opinion on whether WHBC's financial statements:

- Give a true and fair view of the financial position of WHBC as at 31 March 2024 and of its income and expenditure for the year then ended; and
- Have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

We conduct our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. We also fulfil our ethical responsibilities under, and ensure we are independent of WHBC in accordance with, UK ethical requirements including the FRC Ethical Standard. We are required to ensure that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

## Our audit opinion on the financial statements

We have issued a disclaimed opinion on WHBC financial statements on XX February 2024. [Specific wording to be inserted following opinion consultation].

The full audit report is included in WHBC's Annual Report and Accounts for 2023/24 which can be obtained from WHBC's website.

Further information on our audit of the financial statements is set out overleaf.

# Audit of the financial statements



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The table below summarises the key financial statement audit risks that we identified as part of our risk assessment and how we responded to these through our audit.

Significant financial statement audit risk	Procedures undertaken	Findings
<p><b>Valuation of land and buildings</b></p> <p>The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate fair value at that date.</p> <p>The Council conducts a full valuation every five years of HRA assets. In between these five yearly valuations an annual desktop review is undertaken.</p> <p>With regards to general funds assets, a proportion of the assets are valued each year as part of a rolling programme whereby all assets will be valued at least once every 5 years</p> <p>Valuations are inherently judgmental and there is a risk of error that the assumptions are not appropriate or correctly applied.</p> <p>The value of the Council's Land &amp; Buildings at 31 March 2024 was £1,186m.</p> <p>The last full revaluation of HRA assets took place 31 March 2021. The last full revaluation of general fund assets took place 1 April 2014, and through the rolling programme all assets have been valued within the last 5 years.</p>	<p>We have performed the following procedures designed to specifically address the significant risk associated with the assets revalued during 2023/24:</p> <ul style="list-style-type: none"> <li>• We critically assessed the independence, objectivity and expertise of the District Valuer (HRA assets) and Avison Young (General Fund assets), the valuers engaged to develop the valuation of the Council's properties at 31 March 2024;</li> <li>• We inspected the instructions issued to the valuers for the valuation of land and buildings to verify they are appropriate to produce a valuation consistent with the requirements of the CIPFA Code;</li> <li>• We compared the accuracy of the data provided to the valuers for the development of the valuation to underlying information;</li> <li>• We evaluated the design and implementation of controls in place for management to review the valuation and the appropriateness of assumptions used;</li> <li>• We challenged the appropriateness of the valuation of land and buildings; including any material movements from the previous revaluations. We challenged key assumptions within the valuation as part of our judgement; and</li> <li>• We challenged the appropriateness of the valuation of dwellings on a sample basis with reference to available market data for comparable assets in a similar location.</li> </ul>	<p>We did not identify any material misstatements relating to this risk. However, note that testing was performed to gain assurance over the revalued portion of land and buildings only, as we do not have assurance over brought-forward land and buildings balances due to the disclaimer of opinion given for 2022/23. We considered the estimate, for the assets valued in 2023/24, to be balanced based on the procedures performed.</p> <p>We raised a recommendation relating to management's review of year end valuation reports to bring this review into compliance with international auditing standards. To meet the definition of a Management Review Control in line auditing standards, this review process must be documented and evidenced with a sufficient level of precision. This is a common finding in the Local Government sector as there is typically insufficient in-house valuation expertise to conduct a Management Review Control effectively.</p> <p>We confirmed that management undertakes an initial review of the valuation reports and challenges the District Valuer (HRA assets) and Avison Young (general fund assets) in respect of specific movements and adjustments to land and building values. However, management does not complete a formal review or approval of the assumptions made by the valuers and of all inputs that feed into the valuations of land and buildings carried out by the valuers.</p>

# Audit of the financial statements

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Significant financial statement audit risk	Procedures undertaken	Findings
<p><b>Management override of controls</b></p> <ul style="list-style-type: none"> <li>Professional standards require us to communicate the fraud risk from management override of controls as significant.</li> <li>Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</li> <li>We have not identified any specific additional risks of management override relating to this audit.</li> </ul>	<p>Our audit methodology incorporates the risk of management override as a default significant risk. We have performed the following procedures designed to specifically address this significant risk:</p> <ul style="list-style-type: none"> <li>Assessed accounting estimates for biases by evaluating whether judgements and decisions in making accounting estimates, even if individually reasonable, indicate a possible bias;</li> <li>Evaluated the selection and application of accounting policies;</li> <li>In line with our methodology, evaluated the design and implementation of controls over journal entries and post closing adjustments;</li> <li>Assessed the appropriateness of changes compared to the prior year to the methods and underlying assumptions used to prepare accounting estimates;</li> <li>Assessed the business rationale and the appropriateness of the accounting for significant transactions that are outside the Council's normal course of business, or are otherwise unusual; and</li> <li>We analysed all journals through the year using data and analytics and focused our testing on those with a higher risk.</li> </ul>	<p>We raised a recommendation with regards to segregation of duties in the posting of certain types of manual journals.</p> <p>For certain manual journal types, specifically those which do not go through a workflow, segregation of duties with regards to their posting is not enforced. There is a risk of manual journals without segregation of duties being posted that results in inappropriate or erroneous entries being posted to the ledger going undetected.</p> <p>Segregation of duties should be mandated for all manual journals. Where this cannot be enforced by the system, a process should be put in place to identify self-approved journals so that their appropriateness can be evaluated and approved retrospectively.</p> <p>We did not identify any material misstatements relating to this risk</p>

# Audit of the financial statements

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Significant financial statement audit risk	Procedures undertaken	Findings
<p><b>Valuation of post retirement benefit obligations</b></p> <ul style="list-style-type: none"> <li>The valuation of the post retirement benefit obligations involves the selection of appropriate actuarial assumptions, most notably the discount rate applied to the scheme liabilities, inflation rates and mortality rates. The selection of these assumptions is inherently subjective and small changes in the assumptions and estimates used to value the Council's pension liability could have a significant effect on the financial position of the Council.</li> <li>The effect of these matters is that, as part of our risk assessment, we determined that post retirement benefits obligation has a high degree of estimation uncertainty. The financial statements disclose the assumptions used by the Council in completing the year end valuation of the pension deficit and the year-on-year movements.</li> <li>We have identified this in relation to the following pension scheme memberships: Local Government Pension Scheme.</li> <li>Also, recent changes to market conditions have meant that more Councils are finding themselves moving into surplus in their Local Government Pension Scheme (or surpluses have grown and have become material). The requirements of the accounting standards on recognition of these surplus are complicated and requires actuarial involvement.</li> </ul>	<p>We have performed the following procedures designed to specifically address this significant risk:</p> <ul style="list-style-type: none"> <li>Evaluated the competency, objectivity of the actuaries to confirm their qualifications and the basis for their calculations;</li> <li>Evaluated the design and implementation of controls in place for the Council to determine the appropriateness of the assumptions used by the actuaries in valuing the liability;</li> <li>Performed inquiries of the accounting actuaries to assess the methodology and key assumptions made, including actual figures where estimates have been used by the actuaries, such as the rate of return on pension fund assets;</li> <li>Agreed the data provided by the audited entity to the Scheme Administrator for use within the calculation of the scheme valuation;</li> <li>Challenged, with the support of our own actuarial specialists, the key assumptions applied, being the discount rate, inflation rate and mortality/life expectancy against externally derived data;</li> <li>Confirmed that the accounting treatment and entries applied by the Group are in line with IFRS and the CIPFA Code of Practice;</li> <li>Considered the adequacy of the Council's disclosures in respect of the sensitivity of the surplus to these assumptions; and</li> <li>Assessed the level of surplus that should be recognised by the entity.</li> </ul>	<p>We did not identify any material misstatements relating to this risk.</p> <p>Evaluated the design and implementation of controls in place for the Council to determine the appropriateness of the assumptions used by the actuaries in valuing the liability;</p> <p>We raised a recommendation relating to management review of the actuarial assumptions. Upon review of management's process and after discussions with management, we noted that there are no key controls in place around the assumptions. Although reviewed, management do not challenge the assumptions used or review the reasonableness of the calculations performed.</p> <p>We considered that the assumptions made in developing the estimate were balanced overall.</p>



**03**

# **Value for Money**

# Value for Money

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## Introduction

We are required to consider whether WHBC has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources or ‘value for money’. We consider whether there are sufficient arrangements in place for WHBC for the following criteria, as defined by the National Audit Office (NAO) in their Code of Audit Practice:



**Financial sustainability:** How WHBC plans and manages its resources to ensure it can continue to deliver its services.



**Governance:** How WHBC ensures that it makes informed decisions and properly manages its risks.



**Improving economy, efficiency and effectiveness:** How WHBC uses information about its costs and performance to improve the way it manages and delivers its services

## Approach

We undertake risk assessment procedures in order to assess whether there are any risks that value for money is not being achieved. This is prepared by considering the findings from other regulators and auditors, records from the organisation and performing procedures to assess the design of key systems at the organisation that give assurance over value for money.

Where a significant risk is identified we perform further procedures in order to consider whether there are significant weaknesses in the processes in place to achieve value for money.

We are required to report a summary of the work undertaken and the conclusions reached against each of the aforementioned reporting criteria in this Auditor’s Annual Report. We do this as part of our commentary on VFM arrangements over the following pages.

We also make recommendations where we identify weaknesses in arrangements or other matters that require attention from WHBC. We make performance improvement observations where we identify opportunities to improve in areas where we have not identified any weaknesses.

## Summary of findings

	Financial sustainability	Governance	Improving economy, efficiency and effectiveness
<b>Commentary page reference</b>	14	17	20
<b>Identified risks of significant weakness?</b>	No	No	No
<b>Actual significant weakness identified?</b>	No	No	No
<b>2022-23 Findings (Ernst &amp; Young LLP)</b>	<i>No identified risks of significant weakness or actual significant weaknesses identified</i>		

# Value for Money

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## National context

We use issues affecting Councils nationally to set the scene for our work. We assess if the issues below apply to this Council.

### Financial performance

Over recent years, Councils have been expected to do more with less. Central government grants have been reduced, and the nature of central government support has become more uncertain in timing and amount. This has caused Councils to cut services and change the way that services are delivered in order to remain financially viable.

Some Councils have initiated innovative plans to raise new funds, such as through increasing commercial activity. Examples have included purchasing commercial assets such as shops and offices with a view to generate rental income, others have set up novel joint ventures to deliver regeneration schemes. Some have questioned whether commercialisation activities open Councils to excessive risk or could be a poor use of taxpayer monies.

Some Councils have issued what are known as “section 114” notices, in this instance a declaration that they cannot generate sufficient resources to meet the costs they need to incur. In some instances, this has resulted in a need for exceptional financial support from central government (such as approval to sell council buildings to meet costs) and severe cutbacks to services.

### Housing Revenue Account (HRA)

Councils which operate a HRA are required by law to prevent the account running into deficit and must operate it independently of the main operations of the Council. HRAs have experienced financial pressure over the past few years on account of high inflation rates increasing the cost of operating housing, whilst central government cap rent increases at or below the rate of inflation.

Following tragic deaths in housing estates in Kensington and Rochdale, there has been increased focus on the safety of social homes. Landlords are required to take remedial action to ensure homes are compliant with fire safety legislation and new regulations to improve building safety more generally. These regulations have increased the costs faced by landlords, caused loss of income where properties were void for repairs, and increased the risk of regulatory action should improvements not be made.

## Local context

- Welwyn Hatfield Borough Council (WHBC) serves an area of central Hertfordshire with a population of around 120,000 residents. Key towns served by the Council are Hatfield and Welwyn Garden City.
- Expenditure in relation to services increased from £122m in 2022/23 to £138m in 2023/24. The General Fund balance remained broadly static in 2023/24, decreasing by £15k. This was a positive outcome compared with the original 2023/24 budget which showed a contribution from reserves of £617k.
- Within this movement, key variances were overspends on Housing Benefit versus the subsidy received from Central Government of £670k and reduced contribution by Leisure facilities of £663k, offset by better than expected interest and investment income due to increased interest rates coupled with higher investment values due to lower than expected capital spending (a £1,607k positive variance).
- The Council spent £7.2m on the purchase and development of affordable housing properties during the year and a further £15.4m on developments and improvements to the existing housing stock. The Housing Revenue Account (HRA) outturn was better than budgeted, with an actual contribution to reserves of £188k versus a budgeted contribution from reserves of £242k.
- WHBC is in the midst of a three-year (2022-25) transformation programme, coming after a previous programme covering 2020-22 achieved £600k of efficiencies and involved a senior management restructure.

# Value for money arrangements



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## Financial sustainability

In assessing whether there was a significant risk of financial sustainability we reviewed:

- The processes for setting the 2023/24 budget to ensure that it is achievable and based on realistic assumptions;
- How the 2023/24 efficiency plan was developed and monitoring of delivery against the requirements;
- Processes for ensuring consistency between the budget set for 2023/24 and the workforce and operational plans;
- The process for assessing risks to financial sustainability;
- Processes in place for managing identified financial sustainability risks; and;
- Performance for the year to date against the budget.

### Summary of risk assessment

#### *Budget setting and challenge of budget assumptions*

There are several methods by which the Council ensures the process for setting the budget is both achievable and based on realistic assumptions. These include the involvement of stakeholders in the budget setting process, such as directors and budget holders, who receive directorate budgets in the August/September of the preceding year. Budget holders are engaged on a monthly basis by their finance business partner which provides opportunities for discussion. The directors and budget holders within the services take responsibility and ownership of their budgets and are asked to identify savings opportunities, growth cases and capital bids and any other changes to budgets that they require, with support from the Finance team. In addition, budget assumptions are challenged throughout the budget setting process by the Finance business partners, the Assistant Director (Finance), the Executive Director (Finance and Transformation), senior management team (SMT), Budget Task & Finish Group, Cabinet and others.

#### *Challenge and review of final budget*

The draft budget is presented to the Overview and Scrutiny Committee and Cabinet at separate meetings in January which provides an opportunity for budget assumptions are be challenged, ensuring sufficient scrutiny of the budget prior to approval. The budget is finally signed off at a meeting of the Full Council in February. While our discussions noted that challenge of the budget has taken place, this is not always evident from the minutes of the Full Council or other relevant forums.

#### *Identification and delivery of efficiency savings*

Detailed plans to deliver efficiencies are developed in the services/directorates, with support from the Finance team. These are then approved at senior leadership team (SLT) meetings before going forward to be included within the full budget approved by the Full Council. Specific efficiencies for the coming year (and future years if appropriate) are clearly identified and approved as part of the budget. The General Fund Savings Summary appendix to the budget sets out the service/directorate that the efficiencies sit within, the specific proposal, along with the proposed savings.

Performance is monitored through monthly budget monitoring via the SLT, and quarterly by the Cabinet. For example, the Budget Efficiency Savings appendix to the quarterly Revenue Budget Monitoring Report presented to the Cabinet sets out the service within which the efficiency sits (e.g. Finance and Transformation, or Place), the specific proposal, and the efficiency figure from the budget, the updated forecast of the figure to be achieved, and a RAG rating to highlight risk areas. Those which are higher risk are also documented in the narrative of the reports received by SLT and Cabinet. Should an efficiency proposal be falling behind the planned level of efficiency, it is up to the service/directorate to identify actions to address. After year end, the Cabinet receives the Revenue Outturn Report which sets out overall performance against the planned efficiencies. The report includes narrative on the key proposals that were not delivered and why, and a detailed appendix which sets out savings achieved for each efficiency proposal. This provides the Cabinet with adequate information and opportunity to challenge why certain efficiencies have not been delivered and how things can be done differently going forward.

# Value for money arrangements



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## Financial sustainability (continued)

In assessing whether there was a significant risk of financial sustainability we reviewed:

- The processes for setting the 2023/24 budget to ensure that it is achievable and based on realistic assumptions;
- How the 2023/24 efficiency plan was developed and monitoring of delivery against the requirements;
- Processes for ensuring consistency between the budget set for 2023/24 and the workforce and operational plans;
- The process for assessing risks to financial sustainability;
- Processes in place for managing identified financial sustainability risks; and;
- Performance for the year to date against the budget.

### Summary of risk assessment

#### *Consistency of financial and operational planning*

The service directorates work together to create, review and approve the budget and therefore any requirements relating to, for example, workforce requirements will be flagged and incorporated during this process, ensuring consistency between the budget and workforce and operational plans. Operational plans such as the capital programme are also approved as part of the overall budget. Review of the minutes and papers of meetings at which other operational plans were presented, such as the Corporate Business Plan to Cabinet, demonstrates consideration of the budget and workforce implications. Review of plans, including the Transformation Strategy, has not identified any key changes such as capital investments, staffing changes or service redesign that have not been incorporated into the budget.

#### *Identification and Management of financial sustainability risks*

Appropriate risks are in place for assessing risks to financial sustainability. As per the Risk Management Framework and Risk Management Policy Statement and Strategy, the Council consider 'risk influencers' which are common drivers of risks, using the PESTLE model (Political, Environmental, Social, Technological, Legal and Economic). A formal annual risk identification exercise is also undertaken as part of action plan setting for the year, which identifies key strategic and operational risks associated with the delivery of the action plan and corporate commitments. A system is in place that ensures risk scores are reviewed, with the regularity of review based on the risk score. Regular and ongoing reviews of risks provide an opportunity for the risk scores to be challenged and evaluated in line with the Council's risk policies.

Control measures are put in place to reduce the likelihood of the risks being realised. Existing controls and actions that are already in place and which address the risk are identified, and where there are no such existing controls and actions plans in place, these are developed and assigned an owner. All key controls and management measures are recorded on the Council Risk Register. The risk register, which include a Financial Sustainability risk, are presented to the Audit Committee quarterly and are sufficiently detailed and balanced to enable management to take informed decisions. Each risk includes a description of the risk, controls, and risk owner commentary. The Cabinet also receives the risk register. Attendance at the Audit Committee and review of minutes of the Cabinet demonstrate the opportunity for appropriate challenge actions around the risks, including the financial sustainability risk. Reporting on financial sustainability risks is sufficiently detailed and balanced to enable appropriate management and monitoring throughout the year. However, challenge around the completeness of risk reporting or the adequacy of actions formulated in response to risks is not always evident from the minutes of these meetings.

Our review of the 2024/25 MTFs, prepared and presented during 2023/24, includes a detailed commentary on the key financial risks likely to present challenges to the Council in the coming years. The Council has a clear sight of the budget gap that it will have to bridge in the coming years and is beginning to formulate programmes to deliver the necessary efficiencies over the MTFs period.

# Value for money arrangements



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## Financial sustainability (continued)

In assessing whether there was a significant risk of financial sustainability we reviewed:

- The processes for setting the 2023/24 budget to ensure that it is achievable and based on realistic assumptions;
- How the 2023/24 efficiency plan was developed and monitoring of delivery against the requirements;
- Processes for ensuring consistency between the budget set for 2023/24 and the workforce and operational plans;
- The process for assessing risks to financial sustainability;
- Processes in place for managing identified financial sustainability risks; and;
- Performance for the year to date against the budget.

### Summary of risk assessment

#### *Performance against budget*

Performance against budget is monitored at Cabinet level, through the Revenue Budget Monitoring Report which is presented quarterly. The Review of the Medium-Term Financial Strategy paper received by Cabinet is another example of performance monitoring against budget. The Cabinet also receives the Performance Exception Report setting out performance against KPIs. There are also monthly meetings of the senior leadership team (SLT), and quarterly meetings of the Performance Clinic, who monitor performance against KPIs.

For 2023/24, performance against budget from both a General Fund and Housing Revenue Account (HRA) perspective was positive. For the General Fund, there was a contribution from reserves of £15k, compared with the original 2023/24 budget which showed a contribution from reserves of £617k.

Within this movement, key variances were overspends on Housing Benefit versus the subsidy received from Central Government of £670k and reduced contribution by Leisure facilities of £663k, offset by better than expected interest and investment income due to increased interest rates coupled with higher investment values due to lower than expected capital spending (a £1,607k positive variance). Therefore, while the Council has benefitted from the wider economic environment in respect of interest rates, there are clearly residual cost pressures evident through 2023/24 which continue to require careful management in 2024/25.

Regarding the HRA, the Council spent £7.2m in 2023/24 on the purchase and development of affordable housing properties during the year and a further £15.4m on developments and improvements to existing housing stock. The Housing Revenue Account (HRA) outturn was better than budgeted, with an actual contribution to reserves of £188k versus a budgeted contribution *from* reserves of £242k.

As with many local authorities, the Council has seen pressures around central funding alongside increased demand for services and the impact of inflation. As a result, by 2026/27 the Council will be required to find a further £1.6m of General Fund savings on an annual basis. However, the Council has a good track record of delivering the savings required in recent periods, and there are no concerns during 2023/24 regarding the financial sustainability of the Council.

### Conclusion

Based on the risk assessment procedures performed we have not identified any significant risks or significant weaknesses associated with the Council's arrangements in respect of financial sustainability.

# Value for money arrangements



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## Governance

In assessing whether there was a significant risk relating to governance we reviewed:

- Processes for the identification, monitoring and management of risk;
- Controls in place to prevent and detect fraud;
- The review and approval of the 2023/24 budget by the Council, including how financial risks were communicated;
- Processes for monitoring performance against budgets and taking actions in response to adverse variances;
- How compliance with laws and regulations is monitored;
- Processes in place to monitor officer compliance with expected standards of behaviour, including recording of interests, gifts and hospitality; and
- How the Council ensures decisions receive appropriate scrutiny.

## Summary of risk assessment

### *Identification, monitoring and management of risk*

We consider the Council to have effective processes in place to identify, monitor and manage risk, underpinned by the Risk Management Framework and Risk Management Policy Statement and Strategy policies. To identify emerging risks, the Council considers 'risk influencers' which are common drivers of risks, using the PESTLE (Political, Economic, Social, Technological, Legal and Environmental) model. Once the risk influencers on the Council's objectives are understood, risks can be determined. Risks are categorised into strategic, operational and project. A formal annual risk identification exercise is also undertaken as part of action plan setting for the year, which identifies key strategic and operational risks associated with the delivery of the action plan and corporate commitments.

Risk registers are updated monthly with new, emerging, updated or closed risks. The SLT consider all strategic risks and serious (risk score of 10 or above) or severe (risk score of 15 or above) operational risks monthly, and the same are considered by Cabinet and the Audit Committee on a quarterly basis. This reporting was found to be sufficiently detailed to allow effective monitoring and management of these risks. We noted instances where the detail provided around actions in response to risks could be expanded to more clearly articulate the action being taken and its impact.

### *Anti-Fraud controls*

There are various controls in place to prevent and detect fraud, including a range of monthly reconciliation and transaction controls that mandate segregation of duties. These controls are supported by a range of policies including the Anti-Fraud and Corruption Policy, Anti-Money Laundering Policy, Tenancy Fraud Policy, Whistleblowing Policy and Staff Code of Conduct.

The Council is a member of the Shared Anti-Fraud Service (SAFS) which is a partnership of councils from Hertfordshire and Bedfordshire, and SAFS Anti-Fraud Progress Reports are regularly presented to the Audit Committee. The internal audit programme operated by the Shared Internal Audit Service (SIAS) provides another opportunity to detect fraud. In addition, there are Fraud Prevention courses made available for staff to attend. Fraud and Corruption also features on the risk register presented to the Audit Committee and Cabinet as a strategic risk. Our evaluation indicates that the counter fraud and anti-corruption arrangements that have been developed and are maintained by the Council are in accordance with CIPFA's Code of practice on managing the risk of fraud and corruption.

# Value for money arrangements



DRAFT

## Governance (continued)

In assessing whether there was a significant risk relating to governance we reviewed:

- Processes for the identification, monitoring and management of risk;
- Controls in place to prevent and detect fraud;
- The review and approval of the 2023/24 budget by the Council, including how financial risks were communicated;
- Processes for monitoring performance against budgets and taking actions in response to adverse variances;
- How compliance with laws and regulations is monitored;
- Processes in place to monitor officer compliance with expected standards of behaviour, including recording of interests, gifts and hospitality; and
- How the Council ensures decisions receive appropriate scrutiny.

## Summary of risk assessment

### *Management of financial risks*

Various budgetary reports that consider financial risks are presented to the Overview and Scrutiny Committee and Cabinet, including the draft budgets received in January prior to approval. The Cabinet also receives the risk register, which includes the Financial Sustainability risk. As per the Responsibility for Executive Function section of the Financial Regulations, the Cabinet is to review the budget and make a recommendation to the Full Council whether to approve. As per article 4 of the constitution, the Full Council is to approve the budget. This process was followed with the budget signed off at a meeting of the Full Council in February 2024.

The Council has processes in place to ensure that financial performance is monitored against budget that will allow it to be determined whether financial performance is in line with budget, providing the opportunity for actions to be identified where adverse variances occur. Financial performance is reported to budget holders who are sent budget monitoring reports each month and then engaged through a meeting with their Finance business partner. The information presented in these reports contains appropriate level of detail to enable budget holders to discharge their responsibilities. Any adverse variances will always be the priority for discussion at these meetings. Actions to be taken to correct adverse variances (where possible or relevant) are also discussed at budget holder meetings.

Finance business partners also meet with senior members of the Finance team each month to discuss budgets and spend in detail. There is thorough scrutiny of the financial position at these meetings, and queries and challenges are raised and referred to budget holders as appropriate. Any significant adverse variances are reported in the Revenue Budget Monitoring Report presented to the SLT monthly, and the Cabinet quarterly. We noted that there is no formal process in place for actions arising from these business holder meetings to be captured and tracked.

### *Monitoring compliance with laws and regulations*

The SLT is responsible for monitoring compliance with laws and regulations. However, day-to-day compliance is aided by subject matter experts (SME) in each department who keep up to date with legislative changes via their external and internal networks and relationships. The Council has a comprehensive register of the laws and regulations it must comply with, and SMEs are currently performing a comprehensive review of all policies to ensure they are compliant.

The internal audit programme operated by SIAS provides an opportunity for monitoring compliance. The risk register presented to the Audit Committee and Cabinet includes risks which relate to compliance with laws and regulation, such as Employment Legislation and Corporate Health and Safety. The Council also has several relevant policies in place designed to enable the monitoring of laws and regulations to ensure compliance. These include the Anti-Fraud and Corruption Policy, Whistleblowing Policy and Staff Code of Conduct.



# Value for money arrangements



DRAFT

## Governance (continued)

In assessing whether there was a significant risk relating to governance we reviewed:

- Processes for the identification, monitoring and management of risk;
- Controls in place to prevent and detect fraud;
- The review and approval of the 2023/24 budget by the Council, including how financial risks were communicated;
- Processes for monitoring performance against budgets and taking actions in response to adverse variances;
- How compliance with laws and regulations is monitored;
- Processes in place to monitor officer compliance with expected standards of behaviour, including recording of interests, gifts and hospitality; and
- How the Council ensures decisions receive appropriate scrutiny.

### Summary of risk assessment

The Council has a conflicts of interest policy embedded within the Staff Code of Conduct, and related parties guidance documents for Councillors and senior officers. The Council maintains a public register of gifts and hospitality, to facilitate the monitoring of Councillor compliance with expected standards of behaviour.

The Financial Regulations detail the financial responsibilities of the Council. They are designed to ensure that the Council's financial transactions are carried out in accordance with the law and government policy. The Financial Regulations set out the financial limits that various committees and personnel can approve. For example, only the Cabinet can approve transactions above £100k. Within the Constitution there are documents which set out decision making responsibilities for executive and non-executive functions. Review of the Financial Regulations and the Constitution, has determined that there is an appropriate escalation framework for making key decisions. This escalation framework has been found to be based on financial limits and allows for decisions that are significant for non-financial reasons to be escalated to the Cabinet as necessary. The content that is required to be included in business cases and equivalent documents for key decisions demonstrates evidence of consideration of financial matters, quality and performance, and compliance with relevant legislation in areas such as equality and diversity.

### External bodies' reports and other findings

2023-24

#### Control deficiencies reported in the Annual Governance Statement

None noted.

#### Head of Internal Audit Opinion

Substantial Assurance (Financial Systems)  
Reasonable Assurance (Non-Financial Systems)

#### Housing Ombudsman findings

No report published.

#### Social Housing Regulator

No regulatory notices published.

#### Care Quality Commission rating

No inspection reports published.

### Conclusion

Based on the risk assessment procedures performed we have not identified any significant risks or significant weaknesses in the Council's governance arrangements.

# Value for money arrangements



DRAFT

## Improving economy, efficiency and effectiveness

In assessing whether there was a significant risk relating to improving economy, efficiency and effectiveness we reviewed:

- The processes in place for assessing the level of value for money being achieved and where there are opportunities for these to be improved;
- How the performance of services is monitored and actions identified in response to areas of poor performance;
- How the Council has engaged with other stakeholders and wider partners in development of the organisation;
- How the performance of those partnerships is monitored and reported; and
- The monitoring of outsourced services to verify that they are delivering expected standards.

### Summary of risk assessment

#### *Monitoring of costs and benchmarking*

Costs are monitored against budgets as part of regular budget monitoring. Examples include the Revenue Budget Monitoring Report which is presented to the SLT and a comparable report presented to the Cabinet on a quarterly basis. Both reports provide an opportunity for cost performance to be monitored, and the commentary on variances allows for areas for improvement to be discussed.

Areas that are overspending are analysed and discussed to understand the causes and identify if improvements can be made. The Council uses external data and benchmarking to assess its cost base. The Council receives benchmarking reports from LG Futures, in 2023/24 these covered a variety of areas including Sales, Fees and Charges, Local Taxation, and Unit Costs.

Investment benchmarking information is also received from Arlingclose. Comparisons with other councils via benchmarking reports feeds into management discussions around potential areas for improvements, by identifying outliers. However, during 2023/24 there were no specific examples where benchmarking reports informed specific decision making.

#### *Monitoring of performance*

The Council produces a report quarterly for the Performance Clinic, whose membership consists of Cabinet members and SLT. The report contains financial and performance metrics as well as accompanying narrative to ensure users are informed and have a holistic view of performance. This reporting is used to monitor performance and inform decision making. Performance is also considered monthly at meetings of the SLT. In addition, the Cabinet receives a Performance Exception Report on a quarterly basis setting out those KPIs not being met. In addition to these forums (Performance Clinic, SLT and Cabinet) being an opportunity to discuss actions, the monthly meetings of the budget holders with the appropriate Finance business partner provides another opportunity to identify shortfalls in financial performance and identify actions to be taken in response.

#### *Engagement with stakeholders and local partners*

The Council participates in and contributes to wider groups such as the Hertfordshire Growth Board which brings together Welwyn and the other district and Borough Councils, the County Council, the Integrated Care Board (ICB), the Police and Crime Commissioner (PCC) and other stakeholders. Other examples include membership of the District Councils' Network (DCN) and Hertfordshire Police and Crime Panel. The Council's Transformation Strategy 2022-2025 acknowledges the need for partnership working as budgets become tighter. The Council also maintains a Community and Stakeholder Engagement Strategy which emerged from a recommendation of the Local Government Association (LGA) Peer Challenge in 2019 and includes a focus on identifying stakeholders and ensuring the views and needs of different stakeholder groups are considered important and taken into account.

# Value for money arrangements



DRAFT

## Improving economy, efficiency and effectiveness

In assessing whether there was a significant risk relating to improving economy, efficiency and effectiveness we reviewed:

- The processes in place for assessing the level of value for money being achieved and where there are opportunities for these to be improved;
- How the performance of services is monitored and actions identified in response to areas of poor performance;
- How the Council has engaged with other stakeholders and wider partners in development of the organisation;
- How the performance of those partnerships is monitored and reported; and
- The monitoring of outsourced services to verify that they are delivering expected standards.

### Summary of risk assessment

Implementation of this strategy is evidenced by the Council's participation in a range of local partnerships such as the Community Inclusion Partnership Group, which is focussed on a joined-up and collaborative approach for statutory, voluntary and charitable organisations within the borough. As well as partnerships with other public sector bodies, the Council is involved in new build schemes with private sector partners. These projects are managed by the Regeneration and Economic Development Team, who have regular project meetings throughout the planning, build and launch process. Both external partners and internal stakeholders from the Housing function are involved at the appropriate stages.

A range of evidence was inspected that demonstrates partnership working including the minutes and attendance of various meetings (the Hertfordshire Growth Board etc.) Monitoring and reporting of performance in relation to these partnerships is the responsibility of the Cabinet.

#### *Outsourced services*

Outsourced services were found to be limited, with a Revenues and Benefits contract outsourced to Liberata (covering Council Tax, Housing Benefit, and Business Rates services) and the anti-fraud services through SAFS (administered by Hertfordshire County Council). Monitoring and reporting of performance in relation to the contracts is covered by methods such as the quarterly report to the Performance Clinic and the Performance Exception Report received by the Cabinet. This considers a range of KPIs such as the time taken to process new housing benefit / council tax benefit claims versus the applicable targets.

### Conclusion

Based on the risk assessment procedures performed we have not identified any significant risk or significant weaknesses associated with the Council's arrangements for improving economy, efficiency and effectiveness.



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WELWYN HATFIELD BOROUGH COUNCIL  
AUDIT COMMITTEE – 30<sup>TH</sup> JANUARY 2025  
REPORT OF THE EXECUTIVE DIRECTOR (FINANCE AND TRANSFORMATION)

## Statement of Accounts 2023/24

### 1. Executive Summary

- 1.1. The draft Statement of Accounts for the financial year 2023/24 were presented to the Audit Committee in June 2024.
- 1.2. The contents of the accounts are largely determined by statutory requirements and mandatory professional standards as set out within The Code of Practice on Local Authority Accounting (The Code) published by the Chartered Institute of Public Finance and Accountancy (CIPFA).
- 1.3. The statutory backstop date for the approval and adoption of the statement of accounts for 2023/24 is 28 February 2025.

### 2. Recommendations

- 2.1. That the Committee note the Statement of Accounts for 2023/24 were previously reviewed by the Committee on 25 June 2024.
- 2.2. That the Committee note that delegated approval has already been granted for the finalisation of the accounts and issuance of the letter of representation.
- 2.3. That the Committee note that any final changes to the accounts, on issuance of the auditors final report, will be undertaken as required, and the accounts will be approved by the statutory backstop date.

### 3. Explanation

- 3.1. The Statement of Accounts for the financial year 2023/24 were considered by the Committee on 25 June 2024. The accounts presented are linked below:

[https://democracy.welhat.gov.uk/documents/s23864/Statement\\_of\\_Accounts\\_2023\\_24%20apendix%20a.pdf](https://democracy.welhat.gov.uk/documents/s23864/Statement_of_Accounts_2023_24%20apendix%20a.pdf)

- 3.2. The contents of the accounts are largely determined by statutory requirements and mandatory professional standards as set out within The Code of Practice on Local Authority Accounting (The Code) published by the Chartered Institute of Public Finance and Accountancy (CIPFA).
- 3.3. The government has introduced measures to address the backlog of local audits, including backstop dates which audit opinions must be issued, and accounts approved for issue by.

- 3.4. The 2022/23 accounts were concluded in December, in advance of the backstop date for the 2022/23 financial year. The statutory backstop date for the approval and adoption of the statement of accounts for 2023/24 is 28 February 2025.
- 3.5. The auditors report is on the agenda for this meeting, prior to the committees consideration of this item. It should be noted that there were still a few items being discussed, and internal review of the audit report underway at KPMG, so the auditors report has been issued in draft.
- 3.6. Some minor adjustments have been noted through the audit process which will be included in the final accounts for approval, and any additional matters in the auditors final report will also be considered.
- 3.7. Delegations were agree in June 2024 for the approval of the accounts, and this report confirms to the Committee that these delegations will be utilized to ensure the accounts are delivered by the statutory backstop date.

#### **4. Financial Implications**

- 4.1. Financial implications are contained in statement of accounts. There are no direct financial implications from the approval of the accounts.

#### **5. Link to Corporate Priorities**

- 5.1. The Council's financial position directly supports all of the Council's Corporate Priorities.

#### **6. Legal Implication(s)**

- 6.1. The measures introduced by the government to address the backlog of local audits, require accounts to be published, and audit opinions to be completed by set dates.

#### **7. Security & Terrorism Implication(s)**

- 7.1. There are no implications for security and terrorism arising from this report.

#### **8. Procurement Implication(s)**

- 8.1. There are no procurement implications arising from this report.

#### **9. Climate Change Implication(s)**

- 9.1. There are no climate change implications arising from this report.

#### **10. Human Resources Implication(s)**

- 10.1. There are no HR implications arising from this report

#### **11. Communication and Engagement Implication(s)**

- 11.1. There are no communications and engagement implications arising from this report

#### **12. Risk Management Implications**

- 12.1. There is a risk that the Statement of Accounts fails to meet regulatory and professional standards or timetables. The potential impacts include qualification of the Statement of

Accounts and/or balances on accounts may be uncertain. Members should note that effective controls have been put in place (e.g. staff training) to minimise the likelihood of occurrence.

- 12.2. The continued delivery of accounts by the backstop date, will ensure that assurance is rebuilt and that the committee obtains timely assurance in future years.

### **13. Equality and Diversity**

- 13.1. There are no equality and diversity implications arising from this report

Name of author	Richard Baker
Title	Executive Director (Finance and Transformation)
Date	21 January 2025

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