



Welwyn Hatfield Borough Council

**Auditor's Annual Report
Year ended 31 March 2021**

July 2022



EY

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Public Sector Audit Appointments Ltd (PSAA) issued the “Statement of responsibilities of auditors and audited bodies”. It is available from the PSAA website (<https://www.psaa.co.uk/audit-quality/statement-of-responsibilities/>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The “Terms of Appointment and further guidance (updated April 2018)” issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Audit Committee and management of Welwyn Hatfield Borough Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit Committee and management of Welwyn Hatfield Borough Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit Committee and management of Welwyn Hatfield Borough Council for this report or for the opinions we have formed. It should not be provided to any third party without our prior written consent.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Hywel Ball, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

Section 1

Executive Summary



Executive Summary: Key conclusions from our 2020/21 audit

Area of work	Conclusion
Opinion on the Council's:	
Financial statements	Unqualified – the financial statements give a true and fair view of the financial position of the Council as at 31 March 2021 and of its expenditure and income for the year then ended. The financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21. We issued our auditor's report on 11 July 2022.
Going concern	We have concluded that the S151 Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.
Consistency of the Narrative Report and other information published with the financial statements	Financial information in the Narrative Report and published with the financial statements was consistent with the audited accounts.

Area of work	Conclusion
Reports by exception:	
Value for money (VFM)	We had no matters to report by exception on the Council's VFM arrangements. We have included our VFM commentary in Section 4 of this report.
Consistency of the annual governance statement	We were satisfied that the annual governance statement was consistent with our understanding of the Council.
Public interest report and other auditor powers	We had no reason to use our auditor powers.

Executive Summary: Key conclusions from our 2020/21 audit

As a result of the work we carried out we have also:

Outcomes	Conclusion
Issued a report to those charged with governance of the Council communicating significant findings resulting from our audit.	We issued an Audit Results Report dated 28 March 2022 to the Audit Committee.
Issued a certificate that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office's 2020 Code of Audit Practice.	We have not yet issued our certificate for 2020/21 as we have not yet performed the procedures required by the National Audit Office on the Whole of Government Accounts submission. The guidance for 2020/21 is delayed and has not yet been issued.

Fees

We carried out our audit of the Council's financial statements in line with PSAA Ltd's "Statement of Responsibilities of auditors and audited bodies" and "Terms of Appointment and further guidance (updated 1 July 2021)". As outlined in the Audit Results Report we were required to carry out additional audit procedures to address audit risks including the valuation of property, plant and equipment, value for money additional procedures, the going concern assessment and disclosures, EY internal consultation on the audit report, revised auditing standard for estimates and accounting for Covid-19 related grants. As a result, we propose an associated additional fee to be agreed with the S151 Officer. We include details of the audit fees in Appendix 1.

We would like to take this opportunity to thank the Corporation's staff for their assistance during the course of our work.

Andrew Brittain

Associate Partner
For and on behalf of Ernst & Young LLP

Section 2

Purpose and responsibilities



Purpose and responsibilities

This report summarises our audit work on the 2020/21 financial statements.

Purpose

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

Responsibilities of the appointed auditor

We have undertaken our 2020/21 audit work in accordance with the Audit Plan that we issued on 22 March 2021. We have complied with the NAO's 2020 Code of Audit Practice, International Standards on Auditing (UK), and other guidance issued by the NAO.

As auditors we are responsible for:

Expressing an opinion on:

- The 2020/21 financial statements;
- Conclusions relating to going concern; and
- The consistency of other information published with the financial statements, including the annual report.

Reporting by exception:

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

Responsibilities of the Council

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

Section 3

Financial Statement Audit



Financial Statement Audit

Key issues

We issued an unqualified audit opinion on the Council's 2020/21 financial statements.

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

On 11 July 2022, we issued an unqualified opinion on the financial statements. We reported our detailed findings to the 28 March 2022 Audit Committee meeting. We outline below the key issues identified as part of our audit, reported against the significant risks and other areas of audit focus we included in our Audit Plan.

Significant risk

Conclusion

Misstatements due to fraud or error - management override of controls

As identified in ISA (UK and Ireland) 240, management is in a unique position to commit fraud because of its ability to manipulate accounting records directly or indirectly, and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

Our audit work found no evidence that management had attempted to override internal controls. We have not identified any instances of inappropriate judgements being applied.

We did not identify any other transactions during our audit which appeared unusual, or outside the Council's normal course of business. This conclusion is based on detailed testing of accounts entries susceptible to potential manipulation.

Inappropriate capitalisation of expenditure

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition. We have identified an opportunity and incentive to capitalise expenditure under the accounting framework, to remove it from the general fund.

Our testing did not identify any material misstatements from inappropriate capitalisation of revenue expenditure.

We did not identify any material weaknesses in controls or evidence of material management override.

We did not identify any instances of inappropriate judgements being applied.

Continued over.

Financial Statement Audit (continued)

Significant Risk	Conclusion
<p>Valuation of land and buildings</p> <p>Land and buildings is the most significant balance in the Council's balance sheet. The valuation of land and buildings is complex and is subject to a number of assumptions and judgements. A small movement in these assumptions can have a material impact on the financial statements.</p>	<p>We focused on aspects of the land and buildings valuation which could have a material impact on the financial statements, primarily:</p> <ul style="list-style-type: none">• harder to value assets – such as assets which are valued on a depreciated replacement cost basis;• the assumptions and estimates used to calculate the valuation; and• changes to the basis for valuing the assets. <p>There were no other issues arising from our work and we are satisfied that PPE and IP are fairly stated in the accounts.</p>

In addition to the significant risks above, we also concluded on the following areas of audit focus.

Other area of audit focus	Conclusion
<p>Going concern disclosures</p> <p>The Council is required to carry out an assessment of its ability to continue as a going concern for the foreseeable future, being at least 12 months after the date of the approval of the financial statements. There is a risk that the Council's financial statements do not adequately disclose the assessment made, the assumptions used and the relevant risks and challenges that have impacted the going concern period.</p>	<p>We challenged management's identification of events or conditions impacting going concern, and tested their assessment of going concern by evaluating supporting evidence (including consideration of the risk of management bias).</p> <p>We reviewed the Council's cashflow forecast covering the foreseeable future, to ensure that it has sufficient liquidity to continue to operate as a going concern.</p> <p>We ensured that an appropriate going concern disclosures have been made within the financial statements; and considered the impact on our audit report and comply with EY consultation requirements.</p> <p>We are satisfied that the council has undertaken a reasonable going concern assessment to demonstrate the ability to continue as a going concern, in line with the requirements, and the related disclosures are adequate.</p>

Continued over.

Financial Statement Audit (continued)

Other area of audit focus	Conclusion
<p>The Pension Fund liability is a material balance in the Balance Sheet. Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p>	<p>We liaised with the auditors of Hertfordshire Pension Fund (HPF), to obtain assurances over the information supplied to the actuary in relation to Welwyn Hatfield BC</p> <p>We assessed the work of the Pension Fund actuary including the assumptions they have used by relying on the work of PwC - Consulting Actuaries commissioned by the National Audit Office for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team; and</p> <p>We assessed the results of the triennial valuations, including the assumptions used and the impact on the Council's pension liability, consider any updated information of the impact of national issues including Goodwin and McCloud.</p> <p>We considered the nature and value of level 3 investments held by HPF and the proportion of the overall Fund relating to the Council in order to identify any additional procedures required to support the estimates of the valuation of these asset as at 31 March 2021.</p> <p>We reviewed and test the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.</p> <p>In response to the revised requirements of ISA540, the auditing standard on accounting estimates, we amended our audit approach based on procedures to evaluate management's process. The revised standard requires auditors to test the method of measurement of accounting estimates to determine whether the model is appropriately designed, consistently applied and mathematically accurate, and that the integrity of the assumptions and the data has been maintained in applying the model. Neither we, nor PWC as consulting actuaries commissioned by the NAO for all local government sector audits, are able to access the detailed models of the actuaries in order to evidence these requirements. Therefore, we modified our planned approach and undertook alternate procedures to create an auditor's estimate, to provide a different method of gaining assurance. We employed the services of an EY Pensions specialist to review the Council's IAS19 reports and run a parallel actuarial model which was compared to that produced by the actuary.</p> <p>The additional procedures in response to the revised requirements of ISA 540 confirmed there was no material misstatement arising from those estimation procedures undertaken by the actuary.</p> <p>We considered the outcome of the assurances received from the HPF auditor. There was an immaterial judgemental difference in the final valuation which the Council chose to adjust. The Net Pension Liability increased by £471k to address a change in the fund performance rate of return as at 31 March 2021 which also impacted on the Pension disclosures in Note 31.</p> <p>Based on the procedures performed, we have not identified any further misstatements and can conclude that net pension liability is fairly stated after required adjustments were made.</p>

Financial Statement Audit (continued)

Other area of audit focus	Conclusion
<p>Accounting for Covid-19 related grant funding</p> <p>The Council received government funding in relation to Covid-19. Whilst there is no change in the CIPFA Code or accounting standard (IFRS 15) in respect of accounting for grant funding, the emergency nature of some of the grants received and in some cases the lack of clarity on any associated restrictions and conditions, means that the Council will need to apply a greater degree of assessment and judgement to determine the appropriate accounting treatment in 2020/21.</p>	<p>We considered the Council's judgement on material grants received in relation to whether it is acting as:</p> <ul style="list-style-type: none">• An agent, where it has determined that it is acting as an intermediary; or• A principal, where the Council has determined that it is acting on its own behalf. <p>We highlighted the treatment of each grant as agent or principal, and compared it with the wider benchmarking exercise across our clients, and consulted our technical team to conclude on any outliers. We have no issues to report on the Council's treatment.</p>

Continued over.

Financial Statement Audit (continued)

Audit differences

We identified a small number of misstatements in disclosures which management corrected. Due to an error in the calculation on the NDR Appeals provision performed by Analyse Local, the provision was overstated by £2.52m, we have discussed this with management and confirmed that the Council has made the adjustments to the Collection Fund Statement of £2.52m. However the Council's share the provision of £1m remains unadjusted in the accounts.

The Council incorrectly recognised an expected credit loss of £265k in respect of potential future loans with Now housing resulting in an understatement of long term debtors and the Capital Adjustment Account within the Council's single entity statements. There is no impact on the Group SoA as ECL's to subsidiaries are eliminated upon consolidation.

The uncorrected item relating to the Council's share of the NDR Appeals provision is not material to the financial statements and therefore we are satisfied that it unadjusted in the signed financial statements.

Our application of materiality

When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole.

Item	Thresholds applied
Planning materiality	We determined planning materiality to be £2,511k as 2% of gross revenue expenditure reported in the accounts. We consider gross revenue expenditure to be one of the principal considerations for stakeholders in assessing the financial performance of the Council.
Reporting threshold	We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £126k.

We also identified the following areas where misstatement at a level lower than our overall materiality level might influence the reader. For these areas we developed an audit strategy specific to these areas. The areas identified and audit strategy applied include:

- ▶ Cash/bank balance: We audited all disclosures and undertook procedures to confirm material completeness
- ▶ Related party transactions. We audited all disclosures and undertook procedures to confirm material completeness
- ▶ Remuneration disclosures, Members Allowances and Exit Packages. We audited all disclosures and undertook procedures to confirm material completeness

Section 4

Value for Money



Value for Money (VFM)

Scope and risks

We have complied with the NAO's 2020 Code and the NAO's Auditor Guidance Note in respect of VFM. We presented our VFM risk assessment to the 22 March 2021 Audit Committee meeting which was based on a combination of our cumulative audit knowledge and experience, our review of Councils and committee reports, discussions with management and evaluation of associated documentation and knowledge of sector-wide issues that may affect the Council. We reported that we have identified one risk of significant weakness in the Council's VFM arrangements in relation to the following:

Non-compliance with the Home Standard

We identified risks of significant weaknesses in the Corporation's VFM arrangements for 2020/21.

The council identified that they did not comply with the Home Standards regarding certain dwellings were affected with compliance issues and as such the Council had fallen short of its obligations to meet statutory health and safety requirements in relation to fire, water, electrical and asbestos safety. As a consequence of this, there was the potential for risk to Welwyn Hatfield BC's tenants and reputation risk to the council itself. Whilst the identification of the issue, the action plan to address and self-reporting to the regulator, was deemed as appropriate by the regulator, it presents a risk that the arrangements in place with regards to wider monitoring of compliance issues within the Council are not robust enough and therefore could be a significant weakness.

We obtained a copy of the Regulators Report and confirmed that the Council self-referred to the Regulator of Social Housing who found them in breach of the Home Standard. The Regulator issued a regulatory notice but is satisfied that the breach is being addressed. The Council has put in place a programme to rectify these failures and is monitoring the progress it is making. This includes putting new systems, processes and staff in place to oversee the compliance programme. The Council is has brought compliance up to date and is in line with the 2022 timetable discussed with the Regulator.

The Regulator is working with the Council as it continues to address the issues which led to this situation, including ongoing monitoring of how it delivers its programme.

We have held meetings with WHBC management on the 28th June 2021 and 29th July 2021 and obtained an understanding of arrangements in place to prevent other compliance issues from occurring.

We have also consulted with our Professional Practice Directorate to determine if we have fulfilled our professional responsibilities in respect of this matter and have confirmed that that is the case.

Our work on VFM is complete and we are satisfied with the arrangements put in place by the Council in addressing this matter and we do not believe that this is a significant weakness to report.

Value for Money (VFM)

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

Reporting

We completed our planned VFM arrangements work in December 2021 and did not identify any significant weaknesses in the Council's VFM arrangements. As a result, we had no matters to report by exception in the audit report on the financial statements.

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

VFM Commentary

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

- **Financial sustainability**
How the Council plans and manages its resources to ensure it can continue to deliver its services;
 - **Governance**
How the Council ensures that it makes informed decisions and properly manages its risks; and
 - **Improving economy, efficiency and effectiveness:**
How the Council uses information about its costs and performance to improve the way it manages and delivers its services.
-

Introduction and context

The 2020 Code confirms that the focus of our work should be on the arrangements that the audited body is expected to have in place, based on the relevant governance framework for the type of public sector body being audited, together with any other relevant guidance or requirements. Audited bodies are required to maintain a system of internal control that secures value for money from the funds available to them whilst supporting the achievement of their policies, aims and objectives. They are required to comment on the operation of their governance framework during the reporting period, including arrangements for securing value for money from their use of resources, in a governance statement.

We have previously reported the VFM work we have undertaken during the year including our risk assessment. The commentary below aims to provide a clear narrative that explains our judgements in relation to our findings and any associated local context.

The Council has had the arrangements we would expect to see to enable it to plan and manage its resources to ensure that it can continue to deliver its services.

For 2020/21, the significant impact that the Covid-19 pandemic has had on the Council has shaped decisions made, how services have been delivered and financial plans have necessarily had to be reconsidered and revised.

We have reflected these national and local contexts in our VFM commentary.

Financial sustainability

For 2020/21 the Authority had the expected arrangements in place to plan and manage its resources to ensure it can continue to deliver services.

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

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

Financial sustainability (continued)

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

Savings are identified throughout the year as part of the budget monitoring process, with an emphasis on identifying savings during the budget setting process. Funding is addressed through the medium term financial strategy and annual budget setting process. The council has a programme of modernisation and digitalisation underway which will form a large part of its efficiency generation. The councils MTFS (section 2.3) sets out the key strategies, including modernisation, which will be adopted.

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

The Council has had the arrangements we would expect to see to enable it to plan and manage its resources to ensure that it can continue to deliver its services.

Financing is kept in constant review during the year as part of the budget monitoring process. An assessment of risk is undertaken against Reserves and funds are set aside to support modernisation and digital programmes of work, along with key risks. The Medium Term Financial Plan is prepared with close working with service managers, allowing Strategic, service and statutory priorities to be picked up. All growth items are linked to the Corporate Strategic Plan and Service Plan priorities. The Service Plans will set out the activities that each service will undertake to deliver against the priorities set out in the Corporate Plan and The medium term financial plan is the authority plan for service delivery

How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system

The medium term financial strategy is drafted with reference to other plans to ensure that the comprehensive corporate position is reflected. It considers the priorities of the council. Since 2018 the budget papers have been taken as a single pack to emphasise the importance of considering funds in totality rather than separately. In 2020 The MTFS and financial governance framework, such as capital strategy and investment strategy, were brought together into one document to again demonstrate the integration of plans.

How the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans.

The council holds a level of reserves which may be called upon to deal with unforeseen circumstances, for example some reserves were used to deal with unplanned costs relating to Covid-19 in 2020/21. The council ensures it is aware of and applies for available grant funding to assist with unplanned budget pressures. As an example the council successfully applied for the National Leisure Recovery Fund grant funding during 2020/21 and was awarded with the maximum available amount. A risk assessment is undertaken as part of the MTFS and budget setting, and is included in the budget alongside a statement from the CFO.

Governance

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

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

The Council has had the arrangements we would expect to see to enable to make informed decisions and properly manage its risks.

To address the Housing Compliance issue, the council is working closely with the Regulator for Social Housing and since identifying these issues, working with an external consultant to develop and implement an action plan in order to strengthen its systems and return to a compliance. It has also looked to strengthen its housing compliance team.

Since the compliance issue was raised, a group has been tasked with pulling together a key/comprehensive list of KPIs and performance monitoring information which is monitored on a regular basis. Officers from throughout the organisation attend this group, including the H&S officers, service leads, HR lead, insurance lead, public health and protection which has strengthened the team to monitor and evaluate compliance going forward.

The governance group meets regularly and received key updates from this group, and also other governance matters as set out in the AGS. This is made up of senior management.

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

The Council engages with external advisers in order to gain assurance and identify improvements in their arrangements, for example instructing Eversheds Sutherland in early 2022 to commence a Compliance Process Independent Review. The review assessed the Council's arrangements in relation to the Housing Compliance issues and suggested improvements, noting the progress made in creating a sustainable solution with respect to the arrangements in place in this area.

Governance

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

A budget timetable is set and information to contribute to the budget setting process is gathered throughout the year during regular budget monitoring and other meetings with budget managers. Budget managers are asked to identify any budget savings or pressures. A number of budget reports are taken to committees and for the 2021/22 budget a member budget task and finish group was established which held a number of budget scrutiny meetings. This is likely to continue for future years' budget setting.

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

The Council has had the arrangements we would expect to see to enable to make informed decisions and properly manage its risks.

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

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

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

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

Improving economy, efficiency and effectiveness

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

Cabinet members meet regularly with Directors to discuss corporate targets and priorities. Member Performance clinics, quarterly budget monitoring reported to Members. Performance information is discussed at the relevant working groups, as well as being considered at Senior Management meetings and debated by elected members, allowing areas for improvement to be identified and developed. Modernisation delivery group monitors progress against projects which may generate future savings.

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

The Council has had the arrangements we would expect to see to enable it to use information about its costs and performance to improve the way it manages and delivers services.

The Council engages with stakeholders, e.g. survey regarding the Corporate Plan - 'Your Welwyn Hatfield' survey. An annual action plan is developed and monitored against.

The Council positively manages performance to show how its areas of work are progressing and measure achievement for improvement. All performance data including the performance monitoring report and corporate plan are reported to Senior Management and elected members on a regular basis.

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

The council has a process of benchmarking and collaborative working. The council have a number of partnerships and approaches to these differ, along with details of how they engage with residents.

We note that the Council must continue to build strong, effective, and productive partnerships with key stakeholders to achieve its vision 2030. To this end, a lot of what the Council does is achieved by working in partnership with others as the council lead and engage in many community partnerships and work with others in the delivery of services.

The council have a statutory obligation to ensure that the Responsible Authorities Group (RAG) meets on a regular basis. RAG is the decision maker on the strategic direction of the Community Safety Partnership, with the operational actions undertaken by the Joint Action Plan, put together by the operational officers who work within the partnership.

The Council has had the arrangements we would expect to see to enable it to use information about its costs and performance to improve the way it manages and delivers services.

Improving economy, efficiency and effectiveness (continued)

How the body ensures that commissioning and procuring services is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits.

Contract Procedure Rules are followed, regular budget monitoring assesses contract costs and savings made against budgeted savings. At least quarterly a review is undertaken of spend against contracts.

The Council has received recommendations.

Recommendations

As a result of the VfM procedures we have carried out we recommend that the council continues to revisit its process of identifying and responding to potential compliance issues.

We would expect to see arrangements in place that both prevent and detect on a timely basis, any potential risk of non-compliance, especially within the Council's statutory and regulatory responsibilities. The use of internal audit, on a rolling basis, and the management assurance process on a more frequent basis, will help identify where improvements may be required. Whilst these areas may not immediately flag significant deficiencies, having early sight of them prevents them escalating into more significant issues for the Council to deal with.



Section 5

Other Reporting Issues

Other Reporting Issues

Governance Statement

We are required to consider the completeness of disclosures in the Council's governance statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it complies with relevant guidance.

We completed this work and did not identify any areas of concern.

Whole of Government Accounts

We have not yet performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts consolidation pack submission. The guidance for 20/21 is yet to be issued. We will liaise with the Council to complete this work as required.

Report in the Public Interest

We have a duty under the Local Audit and Accountability Act 2014 to consider whether, in the public interest, to report on any matter that comes to our attention in the course of the audit in order for it to be considered by the Council or brought to the attention of the public.

We did not identify any issues which required us to issue a report in the public interest.

Other powers and duties

We identified no issues during our audit that required us to use our additional powers under the Local Audit and Accountability Act 2014.

During the course of the audit we received correspondence from an elector which we reviewed and responded to accordingly.

Control Themes and Observations

As part of our work, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you significant deficiencies in internal control identified during our audit.

We have adopted a fully substantive approach and have therefore not tested the operation of controls however, we have identified a deficiency in the operation of an internal control that has resulted in a material misstatement in your financial statements relating to NDR Appeals provision as the council did not adequately review the calculation performed by Analyse Local resulting in an error £2.5m (see page 13).

Appendix A

Audit Fees



Audit Fees

Our fee for 2020/21 is in line with the audit fee agreed and reported in our Annual Results Report, updated to take account of the extra work required.

Description	Final Fee 2020/21 £	Planned Fee 2020/21 £	Final Fee 2019/20 £
Scale Fee – Code work	47,921	47,921	47,921
Proposed increase in scale fee to reflect the changes to address additional professional and regulatory requirements and scope associated with risk *	33,690		
Proposed additional fees for in year additional work required:			
Group Accounts	4,710		N/A
Quality & delays to data provided	4,636		9,169
Impact of C19 (including Going Concern)	4,584		2,000
Impact of new ISA540	4,595		N/A
PPE significant risk work	9,084		9,037
Additional work on Pensions - McCloud	-		636
Additional focus area on Covid grants	2,329		5,036
Consultations on audit report	-		3,196
Changes to NAO code and VfM reporting	11,940		N/A
Work on Electoral correspondence	2,475		N/A
Total proposed additional fee	78,043		29,074**
Final fee for the year	TBC		67,582

Notes: For 2020/21 the scale fee has been re-assessed to take into account a number of additional risk factors and the incremental audit work to address both these specifically and reflect the changes in regulatory standards. The additional fee for 2020/21 has been discussed with management and remains subject to approval by PSAA Ltd.

* - We presented the details of proposed resetting of the scale fee to previous Audit Committees during 2020.

** - Final additional fee as determined by PSAA.

As per our audit plan for 20/21 we are also completing Housing Benefits and Housing Pooling certification work. We have adopted the necessary safeguards in our completion of this work and complied with Auditor Guidance Note 1 issued by the NAO. We confirm we have not undertaken any other non-audit work.

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