Year End Report to the Audit Committee - DRAFT

Dacorum Borough Council

Year end report for the year ended 31 March 2024

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September 2024

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 Dacorum Borough Council (the ‘Council’), prepared in accordance with International Financial Reporting Standards (‘IFRSs’) as adapted 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 but does not repeat matters we have previously communicated to you by written communication.

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.

Yours sincerely,

Christopher Paisley
Director KPMG LLP
2 September 2024

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

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 3 ‘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.

Restrictions on distribution

The report is provided for the information of the Audit Committee of the Council; that it will not be quoted or referred to, in whole or in part, without our prior written consent; and that we accept no responsibility to any third party in relation to it.

Our audit findings

Significant audit risks	Pages 5 - 13
Significant audit risks	**Our findings**
Management override of controls	Our testing is ongoing. To date we have not identified any indicators of management override of controls
Valuation of land and buildings	Our testing is ongoing. To date we have not identified any misstatements over the valuation of land and buildings.
Valuation of investment property	Our testing is ongoing. To date we have not identified any misstatements over the valuation of investment properties.
Valuation of post retirement benefit obligations	Our work is ongoing. To date we have identified one unadjusted audit difference in respect of the return on planned assets. Additionally, we have challenged the methodology behind the calculation of the 'asset ceiling' within the latest IAS19 actuarial report.

Key accounting estimates	
Valuation of land and building	Our work to date is ongoing, however from initial review assumptions were found to be neutral.
Valuation of Investment properties	We involved KPMG valuation experts to assess the assumptions underpinning the year end valuation. Our work to date is ongoing, however from initial review assumptions were found to be neutral.
Valuation of Pension Liabilities	We involved KPMG actuaries to assess the assumptions underpinning IAS19 valuation. Our work to date is ongoing, however from initial review assumptions were found to be neutral.

Uncorrected Audit Misstatements		Page 32
Understatement/ (overstatement)	**£m**	**%**
Other Comprehensive income and expenditure	(1.02)	(2.09)
Surplus/(deficit) for the year	0	0
Total assets	1.02	0.06
Total taxpayers' equity	0	0

Misstatements in respect of Disclosures	Page 32
To date we have identified no misstatements in respect of disclosures	

Number of Control deficiencies
To date we have identified no control deficiencies

Outstanding matters

Our audit is not yet complete, our testing in ongoing for the following outstanding matters

- Review of the predecessor audit file;
- Finalisation of valuation work in respect of Land and Buildings (including HRA) and investment properties;
- Testing of journals that meet our High Risk Criteria, including any material post close transactions;
- Finalisation of our testing of the net pension liability, including the review of updated IAS19 assumptions and the updated asset ceiling calculation;
- Finalisation of testing over non-significant risk areas including debtors, creditors, income and expenditure;
- Consideration of any matters arising (e.g. subsequent events) which may affect our financial statements audit opinion, up until the date of signing our opinion;
- Final review of the Council's financial statements to ensure compliance with the CIPFA code and to ensure the internal consistency and arithmetical accuracy of the financial statements; and
- Receipt of the management representation letter.

Key changes to our audit plan

We have not made any changes to our audit plan as communicated to you on 20 March 2024, other than as follows:

Risk	Risk change	Effect on audit strategy and plan
Expenditure recognition	Practice Note 10 states that the risk of material misstatement due to fraudulent financial reporting may arise from the manipulation of expenditure recognition is required to be considered. Having considered the risk factors relevant to the Council and the nature of expenditure within the Council, we have determined that a significant risk relating to expenditure recognition is not required. Specifically, while the financial position of the Council remains stretched we consider that there are insufficient incentives to manipulate expenditure recognition around year-end. Our risk assessment analysis of the nature of expenditure has not identified any specific risk factors.	We will perform procedures to address the risk of error surrounding expenditure recognition, however we will not perform procedures to specifically address the risk of fraudulent expenditure recognition.

Significant risks and Other audit risks

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

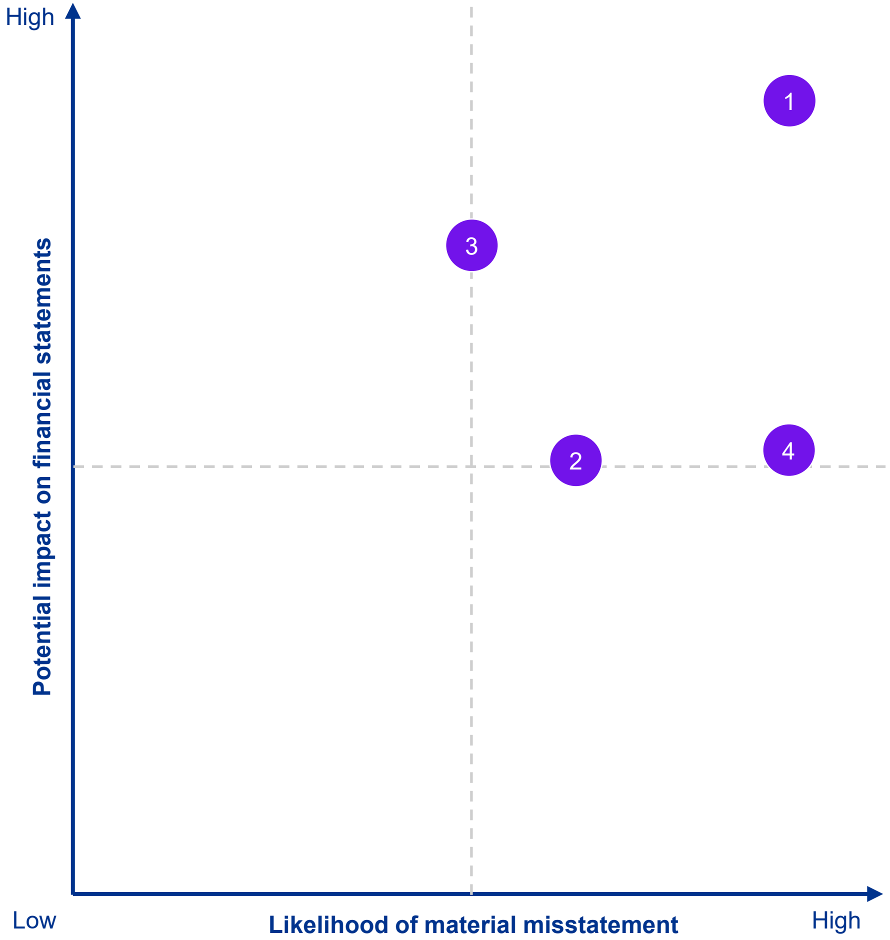
Our risk assessment draws upon our knowledge of the business, the industry and the wider economic environment in which Dacorum Borough Council operates.

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

During our audit we identified changes to our risks of material misstatement as highlighted on the following page

Significant risks	
1.	Valuation of land and buildings
2.	Valuation of investment property
3.	Management override of controls
4.	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 has adopted a rolling revaluation model which sees all land and buildings revalued over a five year cycle. The last full revaluation was performed as at 31st January 2020.
- This creates a risk that the carrying value of assets not revalued in year differs materially from the year end fair value.
- The value of the Council’s Land & Buildings at 31 March 2024 was £145.8m.
- The Council undertakes an annual valuation of the housing properties within the HRA. The value of Council Dwellings at 31 March 2024 was £1,191m.

Our response

We have performed the following procedures designed to specifically address the significant risk associated with the valuation:

- We critically assessed the independence, objectivity and expertise of Wilks Head & Eve, 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.
- 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 agreed the calculations performed of the movements in value of land and buildings and verified that these have been accurately accounted for in line with the requirements of the CIPFA Code.
- Disclosures: We considered the adequacy of the disclosures concerning the key judgements and degree of estimation involved in arriving at the valuation.

Audit risks and our audit approach (cont.)

1 Valuation of land and buildings (cont.)

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 has adopted a rolling revaluation model which sees all land and buildings revalued over a five year cycle. The last full revaluation was performed as at 31st January 2020.
- This creates a risk that the carrying value of assets not revalued in year differs materially from the year end fair value.
- The value of the Council's Land & Buildings at 31 March 2024 was £145.8m.
- The Council undertakes an annual valuation of the housing properties within the HRA. The value of Council Dwellings at 31 March 2024 was £1,191m.

Our findings

- We confirmed the independence, objectivity and expertise of Wilks Head & Eve, the Council's valuation advisors.
- We confirmed that the instructions issued to the valuers for the valuation of land and buildings were appropriate to produce a valuation consistent with the requirements of the CIPFA Code.
- We confirmed that management reviewed and challenged the valuation and the appropriateness of assumptions used by Wilks Head & Eve.
- We compared the accuracy of the data provided to the valuers for the development of the valuation to underlying information provided by the Council. This testing is ongoing, however to date we have not identified any information used by the valuers which was not supported by underlying Council information.
- 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. Our testing is ongoing, to date we have not identified any indicators of material misstatement.
- We selected a sample of 25 beacon properties to confirm the appropriateness of the underlying assumption underpinning the valuation, the value of the HRA properties represented by these 25 Beacons was £927.6m. This included comparing the property prices to comparable market data. Our testing is ongoing, to date we have not identified any beacon properties with inappropriate valuations.
- We identified no material misstatements regarding the calculation performed of the movements in value of land and buildings or the subsequent disclosures in respect of the valuation.

Audit risks and our audit approach (cont.)

2 Valuation of investment property

The carrying amount of revalued investment property differs materially from the fair value

Significant audit risk

- The Code defines an investment property as one that is used solely to earn rentals or for capital appreciation or both. Property that is used to facilitate the delivery of services or production of goods as well as to earn rentals or for capital appreciation does not meet the definition of an investment property. At 31 March 2024 the Council had investment property with a total value of £64.1m. While the majority of the properties are individually not material in value, there is significant estimation uncertainty within the reported balance.
- There is a risk that investment properties are not being held at fair value, as is required by the Code. At each reporting period, the valuation of the investment property must reflect market conditions. Significant judgement is required to assess fair value and management experts are often engaged to undertake the valuations.

Our response

We have performed the following procedures designed to specifically address the significant risk associated with the valuation:

- We critically assessed the independence, objectivity and expertise of Wilks Head & Eve, the valuers used in developing the valuation of the Council's investment property at 31 March 2024.
- We inspected the instructions issued to the valuers 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.
- We challenged the appropriateness of the valuation; including any material movements from the previous revaluations. We challenge key assumptions within the valuation as part of our judgement.
- We agreed the calculations performed of the movements and verify that these have been accurately accounted for in line with the requirements of the CIPFA Code.
- We utilised our own valuation specialists to review the valuation report prepared by the Council's valuers to confirm the appropriateness of the methodology used.
- Disclosures: We considered the adequacy of the disclosures concerning the key judgements and degree of estimation involved in arriving at the valuation.

Audit risks and our audit approach (cont.)

2 Valuation of investment property (cont.)

The carrying amount of revalued investment property differs materially from the fair value

Significant audit risk

- The Code defines an investment property as one that is used solely to earn rentals or for capital appreciation or both. Property that is used to facilitate the delivery of services or production of goods as well as to earn rentals or for capital appreciation does not meet the definition of an investment property. At 31 March 2024 the Council had investment property with a total value of £64.1m. While the majority of the properties are individually not material in value, there is significant estimation uncertainty within the reported balance.
- There is a risk that investment properties are not being held at fair value, as is required by the Code. At each reporting period, the valuation of the investment property must reflect market conditions. Significant judgement is required to assess fair value and management experts are often engaged to undertake the valuations.

Our findings

- We confirmed the independence, objectivity and expertise of Wilks Head & Eve, the Council's valuation advisors.
- We confirmed that the instructions issued to the valuers for the valuation of land and buildings were appropriate to produce a valuation consistent with the requirements of the CIPFA Code.
- We utilised our KPMG Real Estate Valuation specialist who selected a sample of 4 investment properties and 1 property classified as surplus Property Plant & Equipment valued under the Fair Value valuation method, these assts represented a gross value of £27.5m. Testing confirmed that the assumptions underpinning the valuation of these assets were appropriate.
- We identified no material misstatements regarding the calculation performed of the movements in value of investment properties or the subsequent disclosures in respect of the valuation. However there is an ongoing discussion with the Council's external valuer over the assumptions underpinning one of the investment properties.

Audit risks and our audit approach (cont.)

3 Management override of controls[a]

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

Significant audit risk

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

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

Our response

- Our audit methodology incorporates the risk of management override as a default significant risk.
- We assessed accounting estimates for biases by evaluating whether judgements and decisions in making accounting estimates, even if individually reasonable, indicate a possible bias;
- We evaluated the selection and application of accounting policies;
- In line with our methodology, we evaluated the design and implementation of controls over journal entries and post closing adjustments;
- We assessed the appropriateness of changes compared to the prior year to the methods and underlying assumptions used to prepare accounting estimates;
- We 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;
- We analysed all journals through the year and focussed our testing on those with a higher risk, such as journals with unusual capital spend combinations.

Audit risks and our audit approach (cont.)

3 Management override of controls[a] (cont.)

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 findings

- Our testing of journal entries and other adjustments meeting our high-risk criteria is ongoing at the time of preparing our report.
- We evaluated accounting estimates, including the consideration of the valuation of land and building, investment properties and post retirement benefit obligations. We did not identify any indicators of management bias. See pages 6, 8 and 12 respectively for further discussion.
- Our procedures did not identify any significant unusual transactions.

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

Audit risks and our audit approach (cont.)

4 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 Council 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

We have performed the following procedures :

- Evaluated the competency, objectivity of the actuaries to confirm their qualifications and the basis for their calculations;
- 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 Council were 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 deficit to these assumptions; and
- Where applicable, assessed the level of surplus that should be recognised by the entity.

Audit risks and our audit approach (cont.)

4 Valuation of post retirement benefit obligations (cont.)

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.
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- 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 Council 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 findings

- We confirmed the independence, objectivity and expertise of Hymans Robertson, the Council's actuarial advisors.
- We developed an expectation of the total return on planned assets and compared to the actual return on assets. We identified that the difference was immaterial but above our posting threshold; we have provided further details at page 33.
- We confirmed that the cashflow data included within the Pensions note was materially correct.
- We performed testing over the asset ceiling calculation to determine whether the Council is able to recognise its share of the scheme surplus within the financial statements. Our review of the asset ceiling calculation identified that assumptions underpinning this calculation performed by the actuary were not appropriate in that they made simplistic assumptions relating to future deficit reduction contributions that we considered to be unrealistic. Management has commissioned Hyman Robertson to prepare a revised asset ceiling calculation.
- We engaged our KPMG actuaries to critically assess the underlying assumptions applied. All other assumptions were within the KPMG expected range, however at the time of preparing this report we are awaiting the formal report from our actuarial specialists.

Other significant matters

Control deficiencies

We obtain an understanding of internal control to design appropriate audit procedures, but not to express an opinion on the effectiveness of the Council's internal control.

To date, we have not identified any control deficiencies.

Quality and timeliness of information prepared by management

In our view, the quality of information:

- supported our ability to understand key decisions better and obtain sufficient audit evidence.
- enabled informed challenge of management decisions; and
- supported audit quality and better disclosure.

There were some areas where possible improvements were identified with respect to the quality of audit evidence provided, which will be discussed with management in debriefing the 2023/24 audit. This includes information available to support Collection Fund (Council Tax and NNDR) income, to support our audit approach in these areas.

Other matters

Annual report

We have read the contents of the 2023/24 Annual Report (including the Accountability Report, Directors Report, Performance Report and Annual Governance Statement (AGS)) and audited the relevant parts of the Remuneration Report. We have checked compliance with the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 issued by Chartered Institute of Public Finance and Accountancy (CIPFA). Based on the work performed:

- We have not identified any inconsistencies between the contents of the Accountability, Performance and Officer's Reports and the financial statements.
- We have not identified any material inconsistencies between the knowledge acquired during our audit and the director's statements. As Councillors you confirm that you consider that the annual report and accounts taken as a whole are fair, balanced and understandable and provide the information necessary for patients, regulators and other stakeholders to assess the Council's performance, business model and strategy.
- We are yet to perform our review of the AGS to confirm this is consistent with the financial statements and complies with relevant guidance.
- We are yet to perform our review of the report of the Audit Committee included in the Annual Report to confirm it includes the content expected to be disclosed as set out in the Code of Practice and is consistent with our knowledge of the work of the Committee during the year.

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 prescribed 2023/24 audit scale fee for the audit was £192,000 plus VAT (£109,000 in 2022/23). As outlined in our External Audit Plan 2023/24 the fee agreed through the PSAA procurement process did not reflect the impact of ISA315 and ISA240. We stated in our plan that we expected this additional fee to be between 5 and 10% of our scale fee. We propose an additional fee of £11.500 (c6% of our scale fee) in respect of this scope variation. All additional fees are subject to the fees variation process as outlined by the PSAA.

See Pages 29 and 30 for details of non-audit work performed at the Council for 2023/24. We are satisfied that this non-audit work does not have any impact on our independence as the external auditor of the Council.

Value for money risk assessment

Value for money

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

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

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

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

Risk assessment processes

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

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

Reporting

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

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

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

Financial sustainability

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

Governance

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

Improving economy, efficiency and effectiveness

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

Value for money

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

Process

Understanding the entity's arrangements → **Evaluation of entity's value for money arrangements** → **Value for money conclusion and reporting**

Understanding the entity's arrangements:

- Financial statements planning
- Internal reports, e.g. IA
- Management Inquiries
- External reports, e.g. regulators
- Assessment of key processes
- Annual report

Evaluation of entity's value for money arrangements:

- Targeted follow up of identified value for money significant risks
- Continual update of risk assessment

Value for money conclusion and reporting:

- Conclusion whether significant weaknesses exist

Outputs

Risk assessment to Audit Committee

Our risk assessment will provide a summary of the procedures undertaken and our findings against each of the three value for money domains. This will conclude on whether we have identified any significant risks that the entity does not have appropriate arrangements in place to achieve VFM.

Value for money assessment

We will report by exception as to whether we have identified any significant weaknesses in arrangements.

Public commentary

Our draft public commentary will be prepared for the Audit Committee alongside our annual report on the accounts.

Public commentary

The commentary is required to be published alongside the annual report.

Summary of risk assessment

Summary of risk assessment

As set out in our methodology we have evaluated the design of controls in place for a number of the Council’s systems, reviewed reports from external organisations and internal audit and performed inquiries of management.

Based on these procedures the table below summarises our assessment of whether there is a significant risk that appropriate arrangements are not in place to achieve value for money at the Trust for each of the relevant domains:

Domain	Significant risk identified?
Financial sustainability	No significant risk identified
Governance	No significant risk identified
Improving economy, efficiency and effectiveness	No significant risk identified

While our risk assessment remains ongoing, we have completed the majority of our risk assessment procedures and have not identified any significant risks at this stage.

Value for money arrangements

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 savings 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 financial plan.

Summary of risk assessment

Budget setting

The Council's budget setting process is underpinned by the overarching budgeting and budgetary control process, captured within the Council's financial regulations, included in the Council's Constitution. For the 2023/24, the Council began the budget setting process in October 2022, in sufficient time prior to the beginning of the financial year in question.

Officers presented the Council's Medium Term Financial Strategy (MTFS) to the Cabinet in October 2022; this included the Financial Planning Framework for 2023/24 and sought to set the strategy for setting a balanced budget for 2023/24, and subsequent financial years. Our review of the MTFS confirmed that it was created in conjunction with relevant stakeholders such as budget holders, Dacorum Borough Council residents and local businesses. The MTFS is produced to align with the Council's overarching Corporate Plan, which runs to 2025 and includes the Council's six strategic priorities. This ensures there is consistency between the Council's financial plans and overarching objectives surrounding workforce, housing and other operational plans.

The MTFS included a savings requirement of £1.8m for 2023/24, in line with the Council's four-year savings plan. Savings included within the MTFS were identified by budget holders through the development of Service plans, which incorporated key corporate priorities, in consultation with the Senior Leadership Team (SLT) and portfolio holders. As at October 2022 all savings for 2023/24 had been identified.

In December 2022 the Draft 2023/24 Budget Proposal was presented to the Finance and Resources Overview and Scrutiny Committee, supplementing the MTFS. The draft budget proposal included the budget requirements to achieve a balanced position in 2023/24, including key assumptions such as a 2.9% increase in council tax and an inclusion of an average pay settlement of 4%. As the budget setting process progressed, changes were made to the initial budget presented in December 2022 and a refreshed budget was presented to the Finance and Resources Overview and Scrutiny Committee in February 2023. Review of the minutes of this committee confirmed that appropriate scrutiny was exercised with respect to the budget by those charged with governance.

The final budget was presented to the Cabinet in February 2023. Minutes of this meeting confirmed that the budget was reviewed, scrutinised and approved by the Cabinet, with recommendation made to the Council for its approval. The budget was approved by the Council on the 28 February 2023, ahead of the beginning of the 2023/24 financial year.

Value for money arrangements

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 savings 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 financial plan.

Summary of risk assessment (cont.)

Budget monitoring

Budget holders are initially responsible for the monitoring of their own budgets, with each budget holder being a member of the Senior or Corporate Leadership Team. Each budget holder is supported by a member of the Council's finance team in producing financial forecasts.

These forecasts are submitted to the Senior Leadership team, the Strategic Planning and Environment Overview and Scrutiny Committee, the Finance and Resources Overview and Scrutiny Committee, Cabinet and full Council via the Quarterly Financial Performance Report, in line with the Council's financial monitoring calendar. The calendar is created at the start of each financial year and details the timeline of each monthly budget monitoring cycle. The Council have created a template agenda for each monitoring meeting to ensure consistency in discussions across different budget areas.

The quarterly reports reviewed detailed the Council's financial performance, including variances between the budget and forecast position by scrutiny committee areas and spend type. Additionally, the reports included an easily digestible executive summary that highlighted key additional cost pressures and any offsetting savings to enable informed decision making by those charged with governance.

In the intervening months between formal quarterly reporting, specific risk related budget reviews were presented to the SLT.

The Council has numerous risks relating to financial sustainability and financial performance within its Strategic Risk Register. These include the risk around 'Financial Resilience'. These risks are presented to the Audit Committee on a quarterly basis via the Risk Management Progress Report. Our review of the Risk Register confirmed that sufficient information was included to enable informed decision making. We have provided commentary on the Council's risk management processes in the following section of this risk assessment.

Budget outturn

The Council planned a balanced budget within the final MTFS, with no in-year use of General Fund Reserves. The Council achieved its budgeted position, with no drawdowns made from the General Fund reserves.

Risk assessment conclusion

Based on the risk assessment procedures performed we have not identified a significant risks associated with the Council's arrangements for financial sustainability.

Value for money arrangements

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 financial plan by the Authority, 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 Authority ensures decisions receive appropriate scrutiny.

Summary of risk assessment

Risk management

The Council assessed and managed risks through its Risk Management Policy and Guide to Risk Management procedures during the financial period. Strategic risks are those which may threaten the achievement of the Council's strategic priorities.

The Council has created a culture in which employees are responsible for identifying, assessing, measuring, monitoring and reporting and escalating significant risks associated with their functions or activities, which feed into directorate and strategic risks. However, operational risks are formally identified as part of the annual service planning process, at which point these operational risks will be directly linked to a strategic risk. Once risks are identified, they will be added to the Council's risk management software, InPhase.

The Council calculate risk scores by multiplying the potential impact by the potential likelihood of the risk. The Council use a 4x4 matrix scoring system, which produces a range of scores from 1 to 16. To ensure consistency across risk areas, the Council have developed a scoring methodology that underpins the calculation. This methodology also provides detailed descriptions of what would constitute each risk score.

It is the role of the Corporate Leadership Team (CLT) to review and challenge operational risks. Once confirmed, risks are added to the operational risk register, which follows the same scoring methodology and format as the strategic risk register.

Strategic risks are monitored via the Strategic Risk Register report, which is presented to the Cabinet, SLT, and Audit Committee each quarter. The risk report provides the following information against each risk to enable informed decision making: Inherent Score, Mitigated Score, Target Score, Controls and Assurances, and Evidence of the risk being managed. The Strategic Risk Register report is supplemented by exception reporting of the risk management process, which is produced from the InPhase system.

We note that the Council typically performs annual Deep Dives to specific Strategic risks, in order to highlight risk performance, controls and mitigations which are then reported to the Audit Committee. However, no deep dive took place in 2023/24.

Operational risks are monitored on a quarterly basis by portfolio holders using the Performance board, produced by the InPhase system. This reporting follows the same structure as the Strategic Risk Register report.

Budget monitoring

The final budget was presented to the Cabinet in February 2023; minutes of this meeting confirmed that the budget was reviewed, scrutinised and approved by the Cabinet, with recommendation made to the Council for its approval. The budget was approved by the Council on the 28 February 2023, ahead of the beginning of the 2023/24 financial year. We have provided further commentary on the Council's budget setting and monitoring process in the preceding section of this report.

Value for money arrangements

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 financial plan by the Authority, 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 Authority ensures decisions receive appropriate scrutiny.

Summary of risk assessment (cont.)

Counter fraud

The Council's counter fraud and anti-corruption arrangements are underpinned by its financial regulations, *'Preventing and detecting fraud and corruption*'. This policy is supplemented by the various anti-fraud arrangements within the Council's Code of Conduct, such as details of Council employees' responsibilities surrounding whistleblowing. The Council have a dedicated antifraud hotline and email address, as well as employing a dedicated Corporate Anti-Fraud Manager.

We note that as part of their quarterly reporting, the Council's internal audit providers, TIAA, provide commentary over whether any fraud or irregularities have been brought to their attention. No such frauds or irregularities were reported by TIAA in 2023/24.

Compliance with laws and regulations and standards and behaviour

Compliance with laws and regulations and the monitoring of this is one of the functions of the Council, and is included within the Council's Constitution. The Constitution is approved by the full Council annually. Additionally, included within the Constitution is the role of the Monitoring Officer. The Monitoring Officer's role is to report to the full Council or to the Cabinet in relation to an Executive function if he or she considers that any proposal, decision or omission would give rise to unlawfulness or if any decision or omission has given rise to maladministration. No such reports were made in 2023/24. The responsibilities of the Audit Committee, within the Constitution, also highlight that it is the Committees' role to ensure the Council's compliance with relevant legislation and its own and other published policies, standards and controls.

The Council's Code of Conduct documents the responsibilities of Council employees and processes regarding conflicts of interest, gifts and hospitality. In addition to this, the Council's processes in place to monitor officer compliance are included within a separate disciplinary policy for statutory officers which works in conjunction with the Council's Code of Conduct. This document ensures officers, including the Monitoring Officer, are held to account.

Value for money arrangements

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 financial plan by the Authority, 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 Authority ensures decisions receive appropriate scrutiny.

Summary of risk assessment (cont.)

Decision making process

The Council’s decision making processes are derived from the Council’s Financial Regulations, included within the Council’s Constitution. The Financial regulations provide a framework for manging the financial affairs of the Council to support effective decision making.

The Council is responsible for the key decisions of the authority. Where applicable, decision making will be delegated to relevant Committees, as documented within Article 12 of the Council's constitution 'Decision Making’. The Governance arrangements implemented by the Council supports appropriate scrutiny of any key decision. For example, the role of the scrutiny committee includes but is not limited to review and/or scrutiny of decisions made or actions taken, in connection with the discharge of any of the Council’s functions; and exercising the right to call-in for reconsideration decisions made but not yet implemented by the Cabinet.

The Financial Regulations are supported by the Procurement and Commissioning Standing order and Scheme of Delegation, which details the authorisation of payments to be made to staff, contractors and suppliers; the collection of income; and placing of orders including variations.

A key step in the decision making process is the preparation and review of business cases for each decision. To facilitate this, the Council has a proforma business case document. This ensures consistency in how decisions are made and includes information such as key benefits, key risks and alignment to the Council’s strategic objectives.

We note that no key decisions were made by the Cabinet/Council in year, however key service level decisions were made. We reviewed the approval of the Safe Homes and Commercial Housing Contracts, a decision made by the Strategic Director of Housing and Property Service to approve the award of a contract for the Supply of Heating and Ventilation Services and Installations for Housing Assets to Aaron Services Limited for a 7 year period, with the option to extend for a further 3 years.

We noted that the decision was documented using the proforma 'Office Holder Decision Sheet’ and included an estimated cost for the services of between £3.8m and £4.2m per annum. The Officer holder decision sheet demonstrated review by various officers, the Monitoring Officer and the S151 officer as well as the Commercial Board. This was then approved by the Strategic Director of Housing and Property Services on 15 December 2023, in line with the Scheme of Delegation.

Risk assessment conclusion

Based on the risk assessment procedures performed we have not identified a significant risks associated with the Council’s governance arrangements.

Value for money arrangements

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 stakeholder 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

Corporate plan and performance reporting

The Council implemented a five year Corporate Plan in 2025 to run to 2025. The plan is underpinned by the Council's strategic priorities for local residents and communities, which include 'Ensuring economic growth and prosperity' and 'Ensuring efficient, effective and modern service delivery'. Performance against the Corporate Plan is reported annually via the Council's Annual Report. This details the Council's in-year achievements against the plan and further activities for the year ahead.

Corporate plan success is supported by operational performance reporting. Operational performance is monitored by the individual Scrutiny Committees, with each have its own performance monitoring remit. For example, the Housing and Community Overview and Scrutiny Committee oversee the performance of the Council's housing strategy. Each Scrutiny Committee received performance reporting on a quarterly basis, which includes Key Performance Indicators (KPIs). The appendix includes KPI performance for all months within the quarter, and includes a 'direction of travel' indicator for each KPI. Where KPIs are not being met the measure is highlighted in red; where the council is overperforming the measure is highlighted in green. This ensures that reported performance can be quickly and easily analysed, facilitating informed decision making. Each KPI includes commentary which details the reason for KPIs not being met and any actions to remediate this.

Partnership work

To monitor working arrangement of partnership arrangement, either prospective or ongoing, the Council is an established member of a number of joint partnership committees. One such example is the Hertfordshire Climate Change and Sustainability Partnership which seeks to identify joint working programmes on environmental, climate change and wider sustainability issues. This allows the Council to have greater oversight and influence of policy decisions within the local community.

Outsourced services

Our assessment surrounding outsourced services is ongoing; we will report our findings within our final year end report to the Audit Committee.

Risk assessment conclusion

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

Dacorum Borough Council Appendices

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Required communications

Type	Response
Our draft management representation letter	We do not expect to request any specific representations in addition to those areas normally covered by our standard representation letter for the year ended 31 March 2024
Adjusted audit differences	To date, there are no adjusted audit differences
Unadjusted audit differences	To date, the aggregated surplus impact of unadjusted audit differences would be £1,091k. In line with ISA 450 we request that you adjust for these items. However, they will have no effect on the opinion in the auditor's report, individually or in aggregate. See page 32 for further details.
Related parties	There were no significant matters that arose during the audit in connection with the entity's related parties.
Other matters warranting attention by the Audit Committee	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.
Control deficiencies	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 that had not previously been communicated in writing.
Actual or suspected fraud, noncompliance with laws or regulations or illegal acts	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.
Make a referral to the regulator	If we identify that potential unlawful expenditure might be incurred then we are required to make a referral to your regulator. We have not identified any such matters.
Issue a report in the public interest	We are required to consider if we should issue a public interest report on any matters which come to our attention during the audit. We have not identified any such matters.

Type	Response
Significant difficulties	No significant difficulties were encountered during the audit to date.
Modifications to auditor's report	None
Disagreements with management or scope limitations	The engagement team had no disagreements with management and no scope limitations were imposed by management during the audit.
Other information	To date no material inconsistencies were identified related to other information in the annual report, Strategic and Directors' reports. The Strategic report is fair, balanced and comprehensive, and complies with the law.
Breaches of independence	No matters to report. The engagement team and others in the firm, have complied with relevant ethical requirements regarding independence.
Accounting practices	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.
Significant matters discussed or subject to correspondence with management	We identified no significant matters.
Certify the audit as complete	Due to the Auditor's Annual Report being issued later in the year we have not yet certified the audit as complete. We will not be able to certify the audit as complete until all outstanding matters outlined on Page 3 of this report have been satisfactorily resolved, including the review of the predecessor audit files in respect of the 2022/23 audit.

Fees

Audit fee

Our fees to date 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	192	*109*[(a)]
ISA315r and ISA240	12	-
TOTAL	**204**	*109*

Note: (a) Fee charged by Grant Thornton LLP – your predecessor auditor.

As per PSAA's Scale Fees Consultation, the fees did not include new requirements of ISA315 revised (risk of material misstatement); or ISA 240 (auditor's responsibilities relating to fraud). Based on our work to date we have proposed an additional fee of c6% of the scale fee. Additional fees are subject to the fees variation process as outlined by the PSAA.

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); or ISA 240 (auditor's responsibilities relating to fraud.

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 and Risk Committee members

Assessment of our objectivity and independence as auditor of Dacorum Borough Council

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

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

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

General procedures to safeguard independence and objectivity

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

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

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

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

Summary of non-audit services

Description of scope	Threats to independence	Safeguards applied	Value of service and basis of fee
Housing Benefit Assurance Process (HBAP) Certification	None identified	Separate teams	Fixed fee
Pooling of Housing Capital Receipts (PHCR) Certification	None identified	Separate teams	Fixed fee

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 2023 £m	Value of Services Committed but not yet delivered £m
1	Housing Benefit Assurance Process (HBAP) Certification	None identified	• The engagement contract makes clear that we will not perform any management functions. • The work is performed is not relied on during the audit • Our work does not involve judgement and are statements of fact based on agreed upon procedures.	Fixed	TBC	TBC
2	Pooling of Housing Capital Receipts (PHCR) Certification	None identified	• The engagement contract makes clear that we will not perform any management functions. • The work is performed is not relied on during the audit • Our work does not involve judgement and are statements of fact based on agreed upon procedures.	Fixed	TBC	TBC

Confirmation of Independence (cont.)

Summary of fees

We have considered the fees charged by us to the Group and its affiliates 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 0.5:1. 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
Statutory audit	204
Other Assurance Services	TBC
Total Fees	**204**

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 and Risk 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 partner and audit staff is not impaired.

This report is intended solely for the information of the Audit and Risk Committee of the Group 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

Under UK auditing standards (ISA (UK) 260) we are required to provide the Audit Committee with a summary of uncorrected audit differences (including disclosure misstatements) identified during the course of our audit, other than those which are ‘clearly trivial’, which are not reflected in the financial statements. In line with ISA (UK) 450 we request that you correct uncorrected misstatements. However, they will have no effect on the opinion in our auditor’s report, individually or in aggregate. As communicated previously with the Audit Committee, details of all adjustments greater than £200k are shown below:

Uncorrected audit differences (£’000s)

No.	Detail	CIES Dr/(cr)	Balance Sheet Dr/(cr)	Comments
1	Dr Net Pension Liability Cr Actuarial (Gains)/Losses on Pension Asset / Liabilities	£0 (£1,019)	£1,019 (£0)	Management included an estimated value for the return on planned assets within their draft financial statements, based on the initial report provided by the actuary. Upon receipt of the revised IAS19 report, which included the actual return on plan assets for the year, it was identified that the return on planned assets was £1,019k greater than the estimated value.
Total		**(£1,019)**	**£1,019**	

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. To date we have identified no corrected audit misstatements.

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

Our assessment of the risks of material misstatement due to fraud may be found in our external audit plan presented on 20 March 2024. We also 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

KPMG's Audit quality framework

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

To ensure that every engagement lead and employee concentrates on the fundamental skills and behaviours required to deliver an appropriate and independent opinion, we have developed our global Audit Quality Framework. Responsibility for quality starts at the top through our governance structures as the UK Board is supported by the Audit Oversight Committee, and accountability is reinforced through the complete chain of command in all our teams.

Commitment to continuous improvement

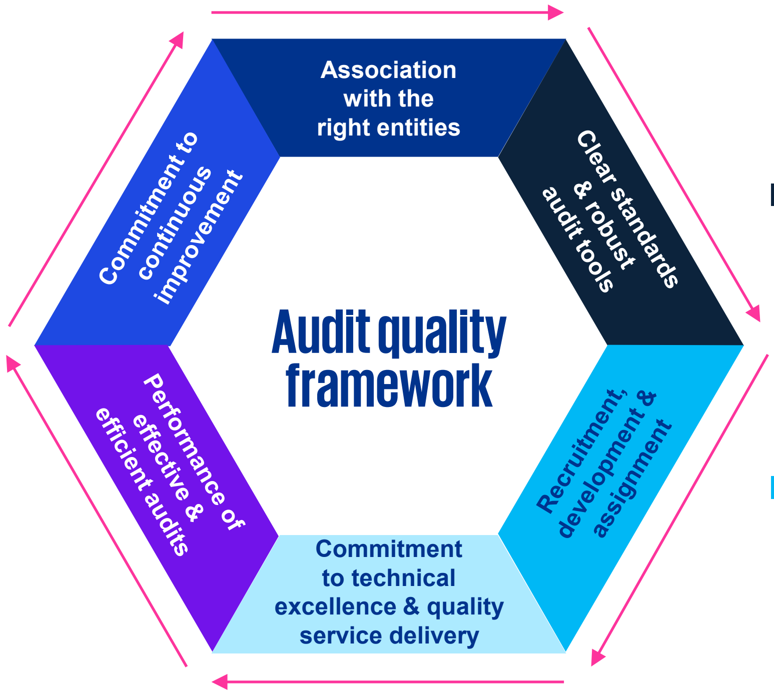
- Comprehensive effective monitoring processes
- Significant investment in technology to achieve consistency and enhance audits
- Obtain feedback from key stakeholders
- Evaluate and appropriately respond to feedback and findings

Performance of effective & efficient audits

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

Commitment to technical excellence & quality service delivery

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



Association with the right entities

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

Clear standards & robust audit tools

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

Recruitment, development & assignment of appropriately qualified personnel

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

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