



## Audit Committee

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| <b>Report for:</b>   | Audit Committee   |
| <b>Title of report:</b>  | External Auditor's Draft Annual Report 2023/24  |
| <b>Date:</b>   | 12 <sup>th</sup> February 2025  |
| <b>Report on behalf of:</b>  | Councillor William Allen, Portfolio Holder for Corporate and Commercial Services  |
| <b>Part:</b>   | I   |
| <b>If Part II, reason:</b>   | N/A   |
| <b>Appendices:</b>   | Appendix A Draft External Auditor's Annual Report 2023/24<br>Appendix B Draft Year End Report to Audit Committee 2023/24<br>Appendix C Letter of Representation<br>Appendix D Statement of Accounts 2023/24 |
| <b>Background papers:</b>  | None.   |
| <b>Glossary of acronyms and any other abbreviations used in this report:</b> | None.   |

### Report Author / Responsible Officer

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|                             |  |
|-----------------------------|--|
| <b>Corporate Priorities</b> | <ul style="list-style-type: none"><li>• Community engagement</li><li>• Service improvement and delivery</li><li>• Vibrant communities</li><li>• Sustainable future</li><li>• Clean, safe and green</li><li>• Homes to be proud of</li><li>• Proud and thriving borough</li></ul> |
| <b>Wards affected</b>       | All  |

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| <b>Purpose of the report:</b>                        | 1. To present the External Auditor's Annual Report for 2023/24  |
| <b>Recommendation (s) to the decision maker (s):</b> | <p>1. To accept the External Auditor's Draft Annual Report 2023/24, noting the recommendations within the report.</p> <p>2. Approve the Letter of Representation (Appendix C) and the Statement of Accounts (Appendix D) in the capacity of those charged with Governance</p> |
| <b>Period for post policy/project review:</b>        | The Council's External Auditor issues their report on an annual basis.  |

## 1 Background:

The Council's External Auditor for 2023/24 is KPMG LLP.

The Council's External Auditor is required to satisfy themselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in the use of its resources. External Audit are required to report their findings in the area to the Council on an annual basis.

Appendix A and B sets out the External Auditor's Draft Annual Report and the Draft Year End report to Audit Committee on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources. KPMG will attend Audit Committee to present this report.

KPMG LLP are expected to issue an unqualified opinion ahead of the audit deadline of 28<sup>th</sup> February 2025.

As part of the report KPMG found 3 items of non-material misstatements within the accounts:

- Valuation of one asset outside the expected range
- Pension – the return on planned assets
- Pension – the effect of the minimum funding contribution

The impact of these 3 misstatements

| Uncorrected audit differences (£'000s) |  |                 |                       |
|--|--|-----------------|-----------------------|
| No.                                    | Detail   | CIES Dr/(cr)    | Balance Sheet Dr/(cr) |
| 1                                      | Dr Net Pension Liability                                   | £0              | £1,019                |
|  | Cr Actuarial (Gains)/Losses on Pension Asset / Liabilities | (£1,019)        | (£0)                  |
| 2                                      | Dr Actuarial (gains)/losses on Pension Asset/Liabilities   | £1,605          | £0                    |
|  | Cr Effect of the asset ceiling on net Asset/Liabilities    | (£0)            | (£1,605)              |
| 3                                      | Dr Investment Property                                     | £0              | £1,754                |
|  | Cr Financing and Investment Income                         | (£1,754)        | (£0)                  |
| <b>Total</b>                           |  | <b>(£1,168)</b> | <b>£1,168</b>         |

Audit Committee agreed the statement of accounts and the letter of representation in September 2024 and gave delegated approval for the accounts and letter of representation to be given to the Deputy chair of the audit committee and the Chief Financial Officer.

The revised letter of representation is included in Appendix C for approval. This has been updated to take account revised acts as part of the audit process.

Since the letter of representation and the Statement of Accounts were agreed there has been some minor changes.

There has been a minor change to the statement of accounts relating to a disclosure around the pension scheme. The disclosure is in relation to Dacorum sports Trust's membership and our guarantee regarding the staff included under the TUPE agreement.

The additional disclosure within the statement of accounts is as follows:

Under the terms of the admission agreement, DST like most other admitted bodies, are responsible for paying all ongoing employer contributions to the fund and pension strain costs, and have undertaken this responsibility for 13 years. Participation in the pension scheme going forward is on a closed basis. The Council acts as guarantor to DST's liabilities in the Fund. Upon DST no longer operating the golf club, DST's pension assets and liabilities will be subsumed with that of the Council's pension fund. DST are required as part of these arrangements to have a pension bond in place to mitigate future potential liabilities.

On 25 July 2024, the Court of Appeal dismissed the appeal in the case of Virgin Media Limited v NTL Pension Trustees II Limited and others. The appeal was brought by Virgin Media Ltd against aspects of the High Court's ruling handed down in June 2023 relating to the validity of certain historical pension changes due to the lack of actuarial confirmation required by law. The Court of Appeal upheld the High Court's ruling. The ruling may have implications for other UK defined benefit plans. It is understood this would apply to the Local Government Pension Scheme and HM Treasury is currently assessing the implications for all public service pension schemes. No further information is available at this stage.

## **2 Financial and value for money implications:**

Appendix A sets out the External Auditor's view on the Council's Value for Money arrangements.

## **3 Legal Implications**

There are no direct legal implications arising from this report.

## **4 Risk implications:**

External audit review is one of the key assurance mechanisms concerning the Council's financial resilience and value for money arrangements.

## **5 Equalities, Community Impact and Human Rights**

A Community Impact Assessment is not required for this report. There are no Human Rights Implications arising from this report.

## **6 Sustainability implications (including climate change, health and wellbeing, community safety)**

There are no direct sustainability implications arising from this report.

## **7 Council infrastructure (including Health and Safety, HR/OD, assets and other resources)**

There are no direct Council infrastructure implications arising from this report

## **8 Conclusion**

The External Auditor's Interim Annual Report 2023/24 has found no significant weaknesses in the Council's arrangements in the areas of financial sustainability, governance and value for money.

