

Audit Committee
28 March 2022

WELWYN HATFIELD COUNCIL

Minutes of a meeting of the AUDIT Committee held on Monday 28 March 2022 at 7.30 pm in the Council Chamber. Council Offices, Campus East, Welwyn Garden City, AL8 6AE.

PRESENT: Councillors G. Michaelides (Chairman)
L. Brandon, S. Kasumu, F. Marsh, J.P. Skoczylas, P. Smith, C. Stanbury

ALSO PRESENT: Councillor D. Bell (Executive Member, Resources)
SIAS D. Williams
Ernst & Young LLP A. Brittain

OFFICIALS PRESENT: Head of Public Health and Protection (J. Harding)
Service Manager (Financial Services) (H. O'Keeffe)
Democratic Services Assistant (V. Mistry)

22. SUBSTITUTION OF MEMBERS

The following substitution had been made in accordance with Council Procedure Rules:

Councillor C. Stanbury for Councillor G. Ganney
Councillor P. Smith for Councillor J. Boulton

23. APOLOGIES

Apologies for absences were received from Councillors J. Boulton and G. Ganney.

24. MINUTES

The Minutes of the meetings held on 27 September 2021 and 31 January 2022 were agreed as a correct record and noted by the Chair.

25. RISK MANAGEMENT

Members received a report of the Head of Public Health and Protection on the current strategic risks facing the Council, as determined by the Corporate Management Team. The risks had been reviewed in place for the Quarter January to April 2022.

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These risks had been checked subsequent to the performance clinic to ensure that risk commentaries were up to date and Members had the latest possible information.

The following points were raised and discussed:

- Members queried the risk focused on the Local Plan and asked how the score of 100 was calculated. Officers stated that the score would have been determined using the risk matrix which looked at the impact and likelihood scores as seen in the report. Officers agreed to seek further clarification from the risk manager (Head of Planning).
- Members asked whether there was any information on whether the scores had increased or decreased from previous quarters. Members thought it would be useful to see how risks had progressed over the months and to show previous quarters in the reports. Officers stated that the inclusion of information from the previous quarter could be looked to be included in the future.

RESOLVED
(unanimous)

The Committee noted the current Strategic Risk Register and comments in respect of each risk where shown.

26. WHBC SHARED INTERNAL AUDIT SERVICE (SIAS) PROGRESS REPORT

Report of the Shared Internal Audit Service (SIAS) which provided details on the progress made by SIAS in delivering the Council's Annual Audit Plan for 2021/22 as at 11 March 2022.

The following points were raised and discussed:

- It was noted that paragraph 2.2 of the report detailed the finalised audits since the Audit committee met in January 2022. There were seven completed projects, three of the projects received substantial assurance level and four with reasonable assurance opinions.
- It was noted that paragraph 2.4 of the report looked at proposed amendments to the Audit Plan. There were three planned changes to the report in addition of three different new projects. These were the use of procurement waivers, right to buy audit and the certification of the protect and vaccine grant claim. The audit of the Covid recovery had been deferred to 2022/23, this was because the Omicron variant caused the recovery work to be paused.
- It was noted that there were no new outstanding high priority recommendations in the progress report.
- It was noted that paragraph 2.8 was an update on the medium priority recommendations. The follow up had taken place and SIAS had completed one of the three outstanding recommendations as

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implemented. There were two that remained outstanding with revised target dates being provided by management.

- Paragraph 2.10 provided an update on the performance statistics. SIAS were reporting billable days of 87% against a target of 95%, the planned projects to draft report stage was at 75% against a target of 95%, this was equal to 18 out of 24 projects. At the last committee meeting in January 2022 it was noted that SIAS would not reach this target and were anticipating to reach just over 90% in terms of draft reports issued by 31 March 2022.
- It was noted that any audit that had not reached draft report by the 31 March 2022 will be in fieldwork. SIAS would ensure that these audits will be their priority in April 2022 to ensure they are issued in advance of SIAS preparing the Head of Assurance's annual report and opinion for the Council.
- Members raised concerns with some perceived issues with the findings from SIAS audits and how these could be seen to contradict the findings from other investigations. The recent issues regarding compliance in housing were given as an example. The Chair reminded the committee that those issues and how they were being rectified were currently being regularly reported to the Cabinet Housing Panel.
- Members stated that maybe the Council could look at the way they did internal audit and look at ways to get better at detecting things.

**RESOLVED
(unanimous)**

- (1) The Committee noted the Internal Audit Progress Report for the period to 11 March 2022.
- (2) The Committee noted the implementation status of internal audit recommendations and the management update.

27. WHBC SHARED INTERNAL AUDIT SERVICE (SIAS) - INTERNAL AUDIT PLAN 2022/23

Report of the Shared Internal Audit Service (SIAS) which set out a programme of internal audit work for the year ahead (2022-2023).

The committee was also asked to approve a selection of medium priorities audits that will be undertaken in Quarter 1 and 2.

The following points were highlighted and noted:

- Paragraph 2.2 of the report looked at the planning process that SIAS followed. It was noted that the planning process had been revised following feedback from external quality assessment. This harmonised the process across the different partners and increased transparency as to why certain topics had to be included. The planning process has five

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stages, these were horizon scanning, audit universe, client discussions, risk assessment and draft audit plan.

- In paragraph 2.6, details of the risk assessment stage could be seen. It looked at the various different factors such as financial materiality, corporate significance, vulnerability and change management concerns. SIAS were keen not to duplicate assurance available to the Council so resources could be used effectively.
- It was noted that in order to provide an opinion in the year, SIAS had broken the plan into high priority audits which will definitely be undertaken during the year. Also looking at medium priority audits which gave some flexibility in the plan.
- The planning context, which was paragraph 2.11 set out the key challenges faced by local authorities.
- It was noted at paragraph 2.21, the Public Sector Internal Audit Standards required SIAS to ensure that they had adequate arrangements and resources in place to deliver the plan and sought to provide the committee with that assurance.
- It was noted at paragraph 3.3, the performance indicators through which SIAS were measured by were signed off by the SIAS board in December 2021.
- The medium priority audits that SIAS were proposing to undertake in Quarter 1 were housing maintenance contract, vaccine uptake and member training. In Quarter 2 SIAS propose to look at voids management, homelessness prevention grants funding and planning services review recommendations. It was noted that the audits not selected for Quarters 1 and 2 will be carried forward to Quarters 3 and 4.
- Members queried the 300 allocated days referred to in the report and asked how many staff that covers. SIAS stated that they operate as a shared service carrying out audits for eight clients. In terms of 300 days, the full-time staff were required to deliver 195 days and that is 1.5 people split across audit staff and management. It cannot be 1.5 individuals because they have audited time and management time for overseeing the plan and attending committees. An advantage of being a shared service is that SIAS has a wider staff base.
- Members noted the shared service and asked for confirmation of whom the service was shared across. SIAS stated that the service was a collection of local authorities within Hertfordshire. Some of the local authorities were Hertfordshire County Council, East Herts Council, Welwyn Hatfield Borough, North Herts Council, Watford Council, Three Rivers Council, Hertsmere Council and Stevenage Council. It was noted that SIAS operate as a partnership, they have a board which has members from each of the partners so any decisions in relation to the service will be made as a collective by all the partners.

RESOLVED:
(unanimous)

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The committee approved the proposed Welwyn Hatfield Borough Council Internal Audit Plan for 2022/23 including the Medium priority audits to be completed during Quarters 1 and 2.

28. AUDIT RESULTS REPORT - YEAR ENDED 31 MARCH 2021

Report of Ernest & Young LLP providing the Council's Audit results report for the year ended 31 March 2021.

The following points were highlighted and noted:

- It was noted that the final materiality to which the EY audit was laid out, the figures were slightly lower than what was in the planning report due to final figures for the year.
- It was noted that the ongoing pandemic continued to have an impact on the way audits are carried out, with more work done virtually or remotely.
- It was noted that the audit highlighted a small number of mis-statements. These mainly related to three things, two were adjusted and one which was to do with a revised pension scheme net liability as a result of changing the asset numbers at year end of the pension scheme. The second one which was adjusted to do the appeals provision and the error in the report that was identified in relation to the specialist used to calculate that. The element that related to collection fund had been adjusted. The element that related to the balance sheet of the council had not because it was not material to the balance sheet. There was one other that was not adjusted which was the expected credit loss on some of the loans to the Now Housing.
- It was noted that in the Audit planning report, there was a new code of practice to cover 2020/21 from the National Audit Office which altered the way in which the value for money works were done. The detail of work that EY do on a value for money conclusion forms part of the auditors' annual report which will follow completion and signing of the statements.
- The one risk EY did identify was related to Housing compliance issues. It was noted that it was not an investigation of the incident itself. EY, as part of value for money work, were required to review the arrangements in place and identify the significant weaknesses within those in order to give a conclusion of the accounts at the end of March 2021.
- In terms of the stages of the audit overall, this was confirmed to be almost complete, with the final review and pre-signing procedures outstanding. It was noted that there was a national issue which had emerged in relation to infrastructure assets which meant that currently all audit firms have paused the signing of audit opinions until the Chartered Institute of Public Finance and Accountancy (CIPFA) finds a way for this to be dealt with. It was noted that this is hoped to be resolved shortly.
- Members asked when the accounts will be finalised. The external auditor stated that they hope the national issues will be resolved in the next week or so enabling signing to take place.

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- Members raised concerns around issues of increased risk of fraud for the Council housing checks and given that the Council spent money on consultants to provide a report; can Ernst and Young conclude that the value for money for that report is sound? The external auditor stated clarified that they were not coming to a conclusion in terms of value for money work: The National Audit Office (NAO) code was in relation to whether there were arrangements in place to deliver. As external auditors they were asked to comment on the arrangements the Council had in place and whether those were fit for purpose in terms of whether you would expect to deliver value for money. Internal audit look at controls that the organisation had in place and testing these controls to ensure that they are working or need improvements. External audit looks at the wider arrangements the Council has in place not specifically what it spent its money on.
- Members asked whether the external auditor could provide more detail on the value for money work? The external auditor stated that the details they were required to give in relation to their value for money work was part of the auditors annual report. In these reports, in the value for money section they have to go through in detail answering specific questions about the work they have completed.
- Members queried whether they had missed the auditors annual report and the external auditor stated that after the opinion is signed they will have to deliver the auditors annual report within 90 days of having signed the opinion. The annual report will go to the next audit meeting in the new municipal year.
- The Executive Member for Resources queried the materiality of the Gross revenues. They were about £100M including about £40M in housing benefits. With the rollout of universal credit, the £40M would disappear and when that happens the gross revenues fall to £60M. The Executive Member asked if the materiality would decrease? The external auditor stated that potentially it could decrease assuming all other things remain the same. The council could expect the other areas of expenditure and income to disappear without any impact to the tax payer. It would be a lower figure and therefore EY would audit to a different materiality.
- It was stated that the Minister in charge of Efficiency and Transformation resigned early this year because he could not get the government to fully assess the fraud in Covid relief. Members queried whether this has affected the Council as they have provided Covid relief to many organisations. The external auditor stated that in terms of external audit they were more concerned that they were accounted for correctly. The fraud the external auditors were looking at was the fraud within the financial statements and not fraud of the end user and this was within the scope of the external auditors.
- The Executive Member for Resources stated that fraud was a big problem. As long as the Council followed the procedures given to them by the government, the government will reimburse them in full for all the grants. It was noted that the Council had been reimbursed with the money.

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**RESOLVED:
(unanimous)**

That the contents of the report provided by Ernst and Young LLP be noted.

29. STATEMENT OF ACCOUNTS 2020-21

Report of the Head of Resources on the Statement of Accounts for the financial year 2020/21.

There were no material changes to the accounting policies for the 2020/21 accounts.

The contents of the accounts were largely determined by statutory requirements and mandatory professional standards as set out within The Code of Practice on Local Authority Accounting (The Code) and the Service Reporting Code of Practice (SeRCOP) published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The 2020/21 accounts were expected to receive an unqualified audit opinion.

The following points were highlighted and noted:

- It was noted that for the financial year 2020/21, the Council was required for the first time to produce group accounts to incorporate Now Housing Ltd. The group accounts were shown separately towards the end of the Council's accounts.
- It was noted that Now Housing Ltd started trading part way through the financial year so the accounts incorporated were from the first 6 months of trading for Now Housing Ltd. Now Housing Ltd is a limited company and has an 18 month accounting period which is up to 31 March 2022.
- In the Financial Overview of 2020/21 in the Statement of accounts, it looked at non-current assets and the total value was £1.184bn and £1.026bn was for Housing Revenue Account. Members queried what made up the balance and officers stated that it included other buildings such as the Council Offices, shops and neighbourhood centres.
- In the summary of the Council's Financial Performance in the Statement of accounts, Members asked why the Policy and Culture expenditure was significantly higher than what was budgeted? Officers stated that it was net expenditure that was listed, including expenditure and income. The reason it was showing the variances was because of the income losses at Campus West during the year.
- Members queried why the Council spent less on planning than budgeted; officers stated this was due to staff vacancies. There was also a large planning application which came in during that year which increased the income.

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- Members asked about business rates as there were significant variances between what was spent and what was budgeted for. Officers stated that it was mostly due to the Covid grants that the Council had received as the Council had not budgeted for these. It was noted that most of the amount was transferred to reserves at the year end and would have gone into the 2021/22 financial year.
- Members asked why Now Housing Ltd were given a low interest loan and if the Council were able to give a low interest loan to a company they own? Officers stated that the Council had provided a loan to Now Housing Ltd to enable Now Housing to purchase 12 apartments in Chequersfield and the loan was structured, giving the business a chance to grow before any repayments start. It was noted that the Council can give a low interest loan and gives the Council income.
- Members asked where the Now Housing accounts were reported to? Officers stated that the Now Housing accounts in the audit report were for the first 6 months of trading. In 2021/22 the next 12 months will be incorporated into the accounts. Now Housing Ltd are a separate company so they were not audited by EY and were audited by another accounting firm. The performance of Now Housing Ltd will go to the Cabinet Housing Panel but the next 12 months of the statutory accounts will go to Audit committee.

RESOLVED:
(unanimous)

The Committee agreed to grant delegated authority to the Head of Resources in consultation with the Chairman of the Audit Committee to approve the Statement of Accounts for 2020/21 and to sign the letter of representation. An email notification will be sent to all Audit Committee members once the audit on the statement is concluded with a link to the published accounts and audit opinion.

30. THANK YOU

The Committee thanked Councillor D. Bell (Executive Members for Resources) for his hard work over the years as a Councillor and wished him all the best for the future.

Meeting ended 8.34pm
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