

Audit Committee
29 June 2022

WELWYN HATFIELD COUNCIL

Minutes of a meeting of the AUDIT Committee held on Wednesday 29 June 2022 at 7.30 pm in the Council Chamber, Council Offices, The Campus, Welwyn Garden City, Herts, AL8 6AE.

PRESENT: Councillors G. Michaelides (Chair)
J. Boulton (Vice-Chair)

F. Marsh, R. Platt, P. Smith and C. Stanbury

ALSO PRESENT: SIAS D. Williams and K. Fuller

OFFICIALS PRESENT: Assistant Director (Finance) (H. O'Keeffe)
Governance Services Manager (A. Marston)
Democratic Services Assistant (V. Mistry)

1. MINUTES

The Minutes of the meeting held on 28 March 2022 were agreed as a correct record and noted by the Chair.

2. 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 April to July 2022.

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. These risks had been reviewed at the performance clinic in May 2022.

The following points were raised and discussed:

- Members asked about the financial risks especially in light of the current ongoing inflation and wanted the S151 Officer to provide an update on where the Council were with the budget currently, what budget gaps were being identified and what the Council were doing with the budget gaps. Officers gave a verbal update stating that the Council will be starting the budget setting process early this year as there was a lot more to consider particularly on inflation. The Council had some inflation built into contracts so

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officers will look at how that works and have identified that the Council will need to look into the risk in more detail and much sooner.

- Members asked about the probability score of 3 and impact of 5 for the financial risk and asked if the Council were happy that the probability was still at the right level. Officers stated that they will review the score during the budget setting process.
- Members asked about the ICT failure and its probability score of 3 and asked if that was standard 3 or whether that had changed from previous reports. Officers stated that the score at the previous quarter had also been a 3.

RESOLVED
(unanimous)

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

3. DRAFT ANNUAL GOVERNANCE STATEMENT FOR THE FINANCIAL YEAR 2021/22

Members received a report of the Chief Executive on the draft Annual Governance Statement (AGS) for the financial year 2021/22.

The CIPFA / SOLACE Guidance Framework emphasises that the AGS was a key corporate document. The most senior Member and the most senior Officer of the Council had joint responsibility as signatories for its accuracy and completeness.

The signatories need to ensure that the AGS accurately reflected the governance framework for which they were responsible. In order to achieve this, they were likely to rely on many sources of assurance, e.g. Chief Officers, Members, Senior Managers and the Council's External Auditors and other review agencies.

The Governance Group has considered the following sources of assurance:-

Internal

- existing policies and procedures
- internal review activity (at both Member and officer level)
- Heads of Service's Management Assurance Statements
- the work of the Shared Internal Audit Service, Performance Management, Procurement and Risk Management
- the work of the Operational Health and Safety Board

External

- the work of the Council's External Auditors

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The Annual Governance Statement was considered by the Standards Committee on 15 June 2022 who recommended its onward submission to Audit Committee.

The following points were raised and discussed:

- Members asked about the AGS as it was dated 2021/22 but referred to a structure that had now been changed, for example, committees, the Cabinet and the Leadership team. Officers stated that the chart on page 25 of the AGS was the senior management structure in place during 2021/22. As the Council was currently going through a senior management restructure, the AGS next year will have the new structure in place.
- Members asked about paragraph 14 of the report, it says the 'Equality Impact Assessment (EqIA) was not completed' and asked if one would be completed at a later date or was it not a requirement? Officers stated that an assessment was not required for the report as it does not propose any changes to existing policies or any new policies.

RESOLVED:
(unanimous)

That the Audit Committee:-

- (1) Considered and, once satisfied, approved the Draft Annual Governance Statement.
- (2) Authorised the Chief Executive, in conjunction with the Leader of the Council, to make any subsequent amendments to the Draft Annual Governance Statement necessitated by the comments made by the Audit Committee,
- (3) Recommended its certification by the Leader of the Council and the Chief Executive.

4. 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 2022/23 as at 15 June 2022.

The following points were raised and discussed:

- At paragraph 2.2, the table detailed all the finalised audits since the last committee meeting in March 2022. A total of 6 completed projects were reported, 1 with substantial assurance and 5 with reasonable assurance opinions.
- At paragraph 2.3, the table detailed the status of the one remaining outstanding audit for the Council's 2021/22 audit plan. The draft report had been issued and was due to be finalised.

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- At paragraph 2.5, as a reminder to the committee in relation to 2022/23 audit plan, SIAS would deliver all audits prioritised as 'High' in the approved Plan and would deliver at least ten projects prioritised as 'Medium'.
- Paragraph 2.6 referred to Appendix B which outlined this year's audit plan and highlighted the two audits that were proposed for approval by the committee as the medium priority audits for quarter 3. The committee were requested to confirm the approval of the two further audits, these being Revenues Discounts and Exemptions and Grounds Maintenance Contract Management.
- At paragraph 2.8, no new high priority recommendations had been raised as a result of the work completed and reported in the table at paragraph 2.2. Currently there were no outstanding high priority recommendations.
- At paragraph 2.9, it highlighted that there were no medium priority recommendations due for follow up during this cycle. In respect of the two outstanding medium priority recommendations, the revised implementation dates were not yet due. However updates were sought from officers and in relation to the payroll recommendation the new leaver form was being developed and was expected to be working by 30 September 2022. In relation to the Council website recommendation, work on the project was continuing and progress was being made.
- At paragraph 2.11, it outlined any proposed plan amendments. There was one minor plan amendment that had been agreed with management within this reporting period. This reflects the change of three days to be moved from the 2021/22 carry forward budget to the 2022/23 Housing Maintenance Contract Mobilisation Audit to ensure a comprehensive scope.
- At paragraph 2.13, SIAS provided an update on performance indicators as at 15 June 2022. Billable days were 12%, projects to draft report were 4%. There were no client satisfaction surveys being returned and no high priority recommendation being made.
- Members asked what planned days were? SIAS stated that it was a measure used to benchmark where they felt they should be during the year and where they were at present.
- Members stated that as the Council were waiting on two additional audit days, should the Council consider an audit around budgetary control as there will be additional pressure on finances both through inflation and also through energy costs. SIAS confirmed that they do have a budgetary control audit in their audits for consideration for quarter 4 which will be discussed with the S151 officer. In terms of whether the budget being set correctly, an in year monitoring of the budget would have to be set rather than budgetary control.
- Members asked if other clients or local authorities were putting in additional assurance and audits around finances in light of the current environment. SIAS stated that budgetary control or budget setting were not featuring much in other SIAS client audit plans. This was not because it was not important but because SIAS do the budget setting on a more cyclical basis. Generally the systems such as integrated planning are going to be unchanged, however the risks will be different.
- Members asked if there was any value in bringing budgetary control forward to midway through the year because if the Council get to the end of the year

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and budgetary control was an issue it could be too late. SIAS stated that it would be beneficial and be more useful to identify problems. SIAS will discuss this with the Section 151 Officer and get the assurance if there were any concerns about how the Council was managing their budget.

RESOLVED
(unanimous)

- (1) The committee noted the Internal Audit Progress Report for the period to 15 June 2022.
- (2) The committee noted the implementation status of internal audit recommendations and the management update.
- (3) The committee approved the two Medium Priority audits to be undertaken in quarter 3 2022.

5. WHBC SHARED INTERNAL AUDIT SERVICE (SIAS) - ANNUAL ASSURANCE STATEMENT AND INTERNAL AUDIT ANNUAL REPORT

Report of the Shared Internal Audit Service (SIAS) on the overall opinion on the adequacy and effectiveness of Welwyn Hatfield Borough Council's framework of governance, risk management and control.

It showed the outcomes of the self-assessment against the Public Sector Internal Audit Standards (PSIAS) incorporating the requirements of the Quality Assurance and Improvement Programme (QAIP).

Summarised the audit work that informed this opinion, showed SIAS performance in respect of delivering the Council's audit plan. And presented the 2022/23 Audit Charter for approval.

The following points were highlighted and noted:

- It was noted that SIAS changed the scale and definitions of assurance ratings used to communicate the results of audit assignments from 1 April 2021. This change was in response to the CIPFA publication in April 2020, "Internal Audit Engagement Opinions – Setting Common Definitions", where CIPFA recommended that a standard range of opinions and definitions were used by Internal Audit teams.
- At paragraph 2.1, SIAS assessed the robustness of internal control and risk management. It was management's responsibility to ensure that robust risk management and control arrangements were maintained.
- At paragraphs 2.4 to 2.12, the review of effectiveness section provided SIAS with outcomes from the key elements Public Sector Internal Audit Standards (PSIAS) that allow the committee to be assured that the service followed those standards and includes elements such as the external quality assessment (EQA), the quality assurance improvement programme which was SIAS's internal review that was headed by the Head of Assurance and Public Sector Internal Audit Standards (PSIAS) self-assessment. Based on

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all of those SIAS have concluded that SIAS generally conform with the PSIAS. It was the highest rating under the standards.

- At paragraph 2.13, it provided an important statement as SIAS, confirmed that no matters threatened their independence during 2021/22 and that SIAS were not subject to any inappropriate scope or resource limitations. The Deputy Section 151 officer confirmed that they were happy that SIAS was not subject to any inappropriate scope or resource limitations.
- At paragraph 2.14, it provided the overall opinions that SIAS had provided for financial and non-financial systems with the Council. Overall they provided an opinion of reasonable assurance which was defined as a generally sound system of governance, risk management and control in place. Some issues of non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
- At paragraph 3.2, the overall summary of the number of audits in the various categories at assurance level as well as the total number of recommendations at different levels. Full details could be found in Appendix A.
- At paragraph 4.1, it looked at the performance indicators. SIAS had an agreed target with the council of delivering 95% of the audit planned days that were commissioned. SIAS delivered 98% which was above the performance indicator and delivered 96% for the planned projects which was also above the 95% target performance indicator.
- In Appendix C, it was noted that it provided areas of deviation from the Public Sector Internal Audit Standards (PSIAS). Members noted that SIAS reported two areas of intentional non-conformance. These were specifically due to the nature of the partnership that had a host authority, Hertfordshire County Council. These were deemed areas that would impact on the overall compliance with PSIAS.
- In Appendix D was the audit charter, following SIAS's external quality assessment in 2021, the assessor provided observation on how the charter could be clearer, SIAS presented a revised version of the charter to the Audit committee in 2021. It was highlighted that there have been no significant changes to the charter since that version was presented.
- Members asked about the client satisfaction survey and the one area that was not marked as satisfactory. What was the feedback and how has that been acted upon? SIAS stated that they would have to look into that. But within the progress report, SIAS provided a rolling performance indicator and assured the committee that once SIAS received the client satisfaction survey, it would have been reported in the progress report and what they were doing with the feedback from the survey.

RESOLVED:
(unanimous)

- (1) The committee noted the Annual Assurance Statement and Internal Audit Annual Report.

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- (2) The committee noted the results of the self-assessment required by the Public Sector Internal Audit Standards (PSIAS) and the Quality Assurance and Improvement Programme (QAIP).
- (3) The committee approved the SIAS Audit Charter.
- (4) The committee sought management assurance that the scope and resources for internal audit were not subject to inappropriate limitations in 2021/22.

Meeting ended at 8.01pm
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