

Audit Committee
28 June 2023

WELWYN HATFIELD BOROUGH COUNCIL

Minutes of a meeting of the AUDIT Committee held on Wednesday 28 June 2023 at 7.30 pm in the Council Chamber, Council Offices, The Campus, Welwyn Garden City, Herts, AL8 6AE.

PRESENT: Councillors D.Panter (Chair)
N.Pace, R.Platt and S.Thusu

ALSO PRESENT: SIAS K. Fuller
Independent Person V. Welburn

OFFICIALS PRESENT: Executive Director – Finance and Transformation (R. Baker)
Assistant Director - Finance (H. O’Keeffe)
Senior Governance Officer (D. Hill)
Democratic Services Assistant (V. Mistry)

At the beginning of the meeting, the Executive Director (Finance and Transformation) gave a short presentation on the purpose of the Audit Committee, its core objectives, its Added Value and Format and Content of meetings. It is a key component of the Council's governance framework; it is set up to provide an independent and high-level focus on the adequacy of governance risk and controls. Following the changes approved at Full Council earlier this year, an independent person has now been appointed to the committee with the appropriate skills to support the committee using their professional and technical expertise.

1. SUBSTITUTION OF MEMBERS

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

Councillor S. Thusu for Councillor J. Boulton.

2. APOLOGIES

Apologies for absences were received from Councillor J. Boulton.

3. MINUTES

The minutes of the meeting held on 29 March 2023 were agreed as a correct record and noted by the chair.

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4. DECLARATIONS OF INTERESTS BY MEMBERS

Councillor S. Thusu declared a non-pecuniary interest in items on the agenda as appropriate by virtue of being a Member of Hertfordshire County Council.

5. RISK MANAGEMENT REPORT - QUARTER FOUR 2022/23

Report of the Executive Director (Finance and Transformation) on the current strategic risks facing the Council as determined by the Corporate Management Team. These risks have been reviewed in place for Quarter Four.

It was noted there was an error in the report which was that the report that was published pulled through the level of risk rather than the impact or the level of risk which is usually held in the background which determines the traffic light colour of the risk. This stemmed from the preparatory work being done on reporting under the new risk framework which will be presented from the next meeting.

At the end of quarter 4, there were four strategic risks with a high score. The first of those is finance. While the Council has a balanced budget for 2023/24, there are ongoing risks within the budget and sizeable budget gaps in future years. Government funding for future years also remains uncertain. An updated Medium Term financial forecast will be presented in the coming months to Cabinet to take into account the financial outturn position from 2022/23 and any impacts of current and emerging pressures. The next high-risk is health and safety, at the end of the quarter, the Health and Safety Manager position was being covered on an interim basis while permanent recruitment took place, the position has been recruited to the manager has since started with the Council. The terms of reference and the membership of the occupational health and safety board had been refreshed and the group has regular reports to the Corporate Governance Group.

A review has commenced on the health and safety management system, along with a refresh of the council's health and safety policies and any gaps identified as part of that review. Control measures will be put in place.

The next high-risk is ICT failure. This score was raised during the pandemic and maintained at a high level since the start of the war in Ukraine. This was based on government guidance that there was a heightened risk of targeted attacks against public bodies. A phishing exercise was completed during quarter 4 and additional training was rolled out following that exercise. The IT control environment is also subject to third party testing and accreditation and officers are currently preparing the Council's submission to the Cabinet Office seeking ongoing accreditation for the public services network.

The last strategic risk was the income from recyclables. This market is a volatile one, influenced by both national and international markets. The outturn for the for the year 2022/23 has just been finalised and would be reported at the next Cabinet meeting, overall, taking the recycling credits into account from the

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County Council. The recycling income was higher than budgeted. So whilst the out turn was a positive outturn position, the markets do remain volatile and this will still be an ongoing risk.

There were two high operational risks, the first was the lack of the five-year land supply, this risk is dependent on the delivery of the local plan and, as Members will be aware, the council has been out to consult on the main modifications to the local plan and the Planning Inspector is currently consulting on further main modifications. After this, the plan and consultation responses will be considered by the Inspector and the report will be presented to the relevant committees once received. The final high operational risk relates to housing complaints, there has been a backlog of complaints within the team during the last quarter and recruitment has been underway to fill a number of vacant posts within the team, the council has been successful in filling a number of those roles and there is agency cover in place whilst recruitment takes place for remaining vacant roles. Additional money and management oversight meetings have been put into place and to go through the outstanding complaints on a weekly basis with a view to improve the complaints performance within the team.

The following points were raised and discussed:

- Members stated they thought it was right to keep the strategic risk in red especially if the council is under threat. Members thanked the team for their fantastic work.
- Members asked about strategic risks under finance and queried is it red because the council is stating there are ongoing cuts for the coming years and then a payment is made that is more than the anticipated cuts. Members asked if that is still the case for the coming financial year, Officers stated they said the council have not got any confirmation over the 2024/25 settlement. The council is making use of general fund reserves in 2023/24 to balance the budget. It has not been confirmed but they have started looking at the fair funding review which has been coming for a few years. There is no certainty around what will happen in next year.
- Members asked about the local plan and the five year land supply and wanted officers to elaborate more on that, who is that risk to by not having a five year land supply, is it for the developer or is it for the council? Officers stated the risk, as reflected on the register, is the risk against the council. So there are risks of challenges to, planning decisions based on the fact the council does not have a five year land supply and obviously those challenges can then lead to costly court battles, so it is a risk to the Council.
- Members queried the relationship between the probability figure and the score and stated surely the probability is higher because it's actually happening. Officers stated the report is under the old risk management framework, so the new risk management framework, which training will be provided for, will be slightly different, but for this particular one the score is calculated as probability multiplied by impact multiplied by impact.

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- Members asked about property services in appendix B and stated handling remains a challenge. Members wanted to know if the new structure will address it and wanted a timeline of this being addressed? Officers stated the new structure was approved and has been put into place. The recruitment has been ongoing since the last quarter and that a number of those roles have been filled, there are still some vacancies in the team, but there is agency cover. The team is better resourced now and there are weekly meetings between senior managers and the customer services team who oversee the complaints. The council are pretty confident that they can make some good improvements.
- The Independent Person asked if an overview can be given of which risks are increasing in their significance. Officers stated there isn't currently, so under the new framework, the council will be monitoring trends and looking at which ones are increasing, which ones are decreasing. Officers will follow up in an email after the meeting.
- The Independent Person asked will the new risk-management framework also include risk indicators so that the council can get an assessment of how that's moving. Officers stated that it will.
- The Independent Person asked specifically on the risk ICT failure, it seems to be quite specific to Microsoft Windows, how are other areas assessed. Officers stated the risk description needs updating. It does look at ICT failure across the board and it is not just Microsoft Windows and under the new risk register, there will be a better description and better controls in place for reporting.
- The Independent Person asked about the Quarter 4 phishing attack exercise and stated given there are other threats, is there a simulation plan as part of disaster recovery? Officers stated the council does run disaster recovery tests. The exercises usually run once a year and the council have external accreditations. The council have also done penetration testing. The overview and scrutiny committee have recently raised this area to look at. Officers are looking at presenting a report to the committee. It was noted the report would also be sent to the Independent person too.

RESOLVED:
(unanimous)

Members noted the attached current Risk Management Update and noted comments and actions in respect of the strategic and top operational risks.

6. DRAFT ANNUAL GOVERNANCE STATEMENT FOR THE FINANCIAL YEAR 2022/23

Report of the Chief Executive on the draft Annual Governance Statement (AGS) for the financial year 2022/23.

The Annual Governance Statement for the 2022/23, was previously reviewed and noted by the Standards Committee on the 14 June 2023.

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The Annual Governance Statement is published each financial year to demonstrate the Council's commitment to achieving good governance based on the principles outlined by CIPFA and SOLACE. It also shows potential areas for improvement in governance within the Council, it is provided under a duty under the Local government Act of 1999 regarding making arrangements to continually improve the way functions are exercised regarding a combination of economy, efficiency and effectiveness. The council are therefore responsible for implementing effective arrangements for the governance of the affairs facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

The governance framework sets out systems, processes and values by which the council is directed and controlled, it is designed to ensure the council are complying with principles which are set out in the local code of governance.

The following points were raised and discussed:

- Members were reassured and confident with the statement.
- Members noted that diagram 4, the management structure was the most up to date structure for the governance process.
- Members noted that the council have had many changes over the past few years. Members noted issues in the past regarding housing stock and fire certificates and were given assurance around that governance process at the time and that process, unfortunately this did not occur. Members asked with these changes in management are the council more assured that it will not happen again through the governance process? Officers stated that since that has happened a lot more controls have been put into place. The council have reviewed the terms of reference of the Corporate Governance Group, and The Operational Health and Safety board had a complete refresh. The council have introduced more testing through internal audit on some of the KPIs, which were some of the issues highlighted. The council took on board the comments that was provided in the independent report and have implemented all the actions.
- Members ask what is the governance around whistleblowing and how the council looks at it among staff? Officers stated that the council has a whistleblowing policy in place and there is contact details on the website with the whistleblowing procedures. It was noted that whistleblowing would fall under the Finance and Transformation directorate. Officers also stated that it is also part of the staff induction process and there is a induction checklist that managers go through with their staff so that they are aware of it when they join the council.
- The Independent Person asked about section 5.19 of the report and how the council's policies are reviewed, how does the council make sure they are all reviewed? Officers stated the council are currently going through a process of mapping all of the policies to make sure that they have corporate oversight of them, and that's something that the Corporate Governance Group, which is led by the Chief Executive and the Directors, are going to be overseeing and are currently putting together a list of all

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their policies and strategies to make sure there is a regular review programme in place. The council are mindful of the fact there has been slippage on policies in the past, because that's one of the reasons we want to be able to introduce this.

- Members asked for clarification as in the report it says our role is to consider the report and make comments. Does this mean the report has not been finalised yet? Officers stated that comments from members would be considered as it is currently in the draft phase.
- Members asked about the General Procurement Board and whether the Board would have been disbanded as part of this report or would there have been a different procedure to be disbanded? Officers stated it is a slightly different process. It would have formed part of the council's contract procedure rules as part of the constitution. It set out what levels a procurement would go to general procurement board. This was replaced with things like executive Member decisions which are published and can be called in and also more cross-party project groups been created to focus more on the aims and objectives of the service before it is tendered, rather than focusing on the actual procurement process, which is more technical.

RESOLVED:
(unanimous)

The Audit Committee noted/considered and agreed for the draft Annual Governance Statement to be submitted to Cabinet for consideration and the Leader and Chief Executive's signatures.

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

Report of the Shared Internal Audit Service (SIAS) which provides details on the progress made by the Shared Internal Audit Service (SIAS) in delivering the Council's Annual Internal Audit Plan for 2023/24 as at 12 June 2023.

Paragraph 2.2 point, the table details all finalised reports since the last committee in March, total of nine completed projects are reported, three with substantial unqualified opinions and six were reasonable assurance opinions.

The table at paragraph 2.3 detailed the status of the three remaining outstanding audits from the Council's 2022/23 Audit Plan. The draft reports have been issued and are due to be finalised.

In paragraph 2.4, it was noted there are no new high-priority recommendations raised as a result of the work completed and reported in the table at paragraph 2.2, and there are currently no outstanding high priority recommendations from previous reports.

Paragraph 2.6 highlights that there were 11 medium priority recommendations due for follow up during this cycle. 4 of which have been implemented, an update

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has been provided in respect of the outstanding recommendations at Appendix D.

Paragraph 2.9 provides an update of performance indicators as at 12 June 2023. It was noted performance is slightly behind the profiled target as the commencement of fieldwork was delayed for three audits, but these are now all in field work.

The following points were raised and discussed:

- The independent person asked if more detail could be given as to why SIAS are running behind on a couple of audits? SIAS stated there were a couple of unforeseen events which were out of their control. SIAS had a slight delay in the contract signing of their external partner, which was now signed. SIAS are confident that they can catch up. The most important thing for SIAS is being in a position to be able to provide their annual assurance opinion, and they are confident they can do so.
- The independent person stated there were quite a few in progress updates versus the findings that were made. The independent person asked if there was specific timeline, they expect the management and executives to come back by? SIAS stated they agreed a target implementation date when finalising the reports. Unfortunately, sometimes they slip slightly, SIAS review them and consider any extended timeframes, and these are also discussed at the Corporate Governance Group.
- Members wanted clarification on paragraph 2.1 of the report which says that at 12 June 2022, 29% of our 2023/24 Audit Plan has been delivered. SIAS stated the 12 June point is based on the last performance information available at the time of writing the report, in order for it to be published for the committee. SIAS would be slightly ahead now.
- The Chair noted that in paragraph 2.1 of the report the year was incorrect. It was meant to be 2023 and not 2022.
- Members noted that there is a Climate Change Officer due to start work on 10th July 2023.

RESOLVED:
(unanimous)

- (1) Members noted the Internal Audit Progress Report for the period to 12 June 2023.
- (2) Members noted the implementation status of internal audit recommendations and the management update.

8. 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.

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Paragraph 2.11 outlined the overall opinion provided was reasonable assurance for financial and non-financial systems, this indicating that those are generally sound system of governance, risk management and control in place.

Paragraph 2.10 highlighted there have been no matters that threatened SIAS's independence during 2022/23, or any inappropriate scope or resource limitations during the year. The Section 151 officer confirmed that they were happy that SIAS was not subject to any inappropriate scope or resource limitations.

Paragraph 3.2 provided a summary of the outcomes of work performed during the year, this supported in the overall opinion. No limited assurance opinions or high priority recommendations were made during 2022/23.

Paragraph 3.3 detailed the individual opinions for financial and non-financial systems. At the time of preparing the report, three audits were still at draft report stage, however, the outcomes from these audits have been considered within the opinion.

Paragraph 3.7 highlighted the recommendations follow up process. This provided the Committee with assurance over management implementing agreed audit recommendations. Updates will be provided to Committee throughout the year through SIAS progress reports.

Paragraph 4.1 provided a summary of the performance against performance Indicators for 2022/23. Planned days were 97% against a target of 95%, planned projects were 100% delivered against a target of 95% and customer satisfaction was 100%, from a 61% questionnaire return rate.

Appendix A details the outcome from individual audits. Appendix B details, definitions of assurance and priority levels. Appendix C details the PSIAS's self-assessment, SIAS note two areas of intentional non-conformance, these relating to appointments and performance appraisals of the Chief Audit Executive, noting the shared service and therefore these cannot be undertaken by the Audit Committee or the Chief Executive.

Appendix D provides the Audit Charter. There are no changes to the charter from that presented or improved in 2022/23, the charter sets out the authority and arrangements for internal audit as well as SIAS's approach to delivering service.

The following points were highlighted and noted:

- The Independent person stated in the appendix it discussed moving to Office Wednesday, for the team. What processes are in place post Covid for both SIAS in terms of connecting as an audit team with challenges in terms of risk and also how that is being reviewed as part of the audit work in terms of management being on site or executives being on site and how that is considered through the audit work. SIAS stated it has been a

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difficult transition. It is key for the service and have grown in structure. SIAS are keen to make sure that all staff are present on site including management, to share ideas and networking and being able to discuss audits to support development and wellbeing.

- The independent person asked in terms of being on site as part of their fieldwork, for example, to assess management, how is this being done in the office? SIAS stated they work with a number of district and borough councils, so they based the audit fieldwork on what is required by that authority. SIAS will go to offices, supporting staff and sitting with officers where required.
- The independent person asked whether SIAS have seen any kind of shift since coming back after Covid versus pre-Covid, in terms of executive oversight and a change in their perception of the controlled environment is running given there might be more hybrid working by the council itself? SIAS stated they have not. SIAS have always had quite a remote based service anyway so were quite ready and set up for that and are still able to provide appropriate levels of executive oversight. This is a risk that is considered as part of each audit engagement. SIAS have not seen any major issues so far.
- Member asked how the client satisfaction is measured. There were 39 out of 65 responses, would that be 39 different people surveyed and would that be across all levels of the Council or would it only be management?
- SIAS stated a feedback form was issued to the key contact for that audit, be it direct or operational level and to provide feedback on it. SIAS have a scoring system with a number of questions and there is a score that is deemed satisfactory level, so when we say 100% is of those returned, they all met that. They might not be 100% but they all met that satisfactory level in terms of satisfaction.
- Members mentioned two audits were deemed to be cancelled, one was COVID-19 recovery and the other was the voids management. Why were they cancelled and are they captured elsewhere? SIAS stated terms of the voids management, it was cancelled because the timing was not appropriate when they originally planned to do it, but the days associated with it were extended onto a separate Housing Maintenance contract mobilisation audit. So SIAS had two parts in effect for that they had the original one and then used the time that was earmarked for the voids management to then look at voids through the secondary audit, so they did in fact cover the most appropriate risk for the Authority at the time but came in a different form, so whilst it was cancelled, it was covered. The Covid 19 recovery was deemed not relevant any more as things had moved on. It was agreed with the Section 151 Officer to use the time against something else the authority wants.
- Members stated one of the risks with COVID-19 and recovery was in terms of the change of staff and as a consequence of the change of staff, services were not 100%. Will this be looked at in a different environment, maybe not necessarily COVID-19 but impact of COVID-19 to the staff and hence delivery of the services. SIAS stated yes, it would be considered. It was noted that SIAS did undertake a resilience audit which specifically

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looked at the senior management changes and making sure that the constitution was up to date and that the appropriate governance arrangements were in place.

RESOLVED:
(unanimous)

- (1) Members noted the Annual Assurance Statement and Internal Audit Annual Report.
- (2) Members 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) Members approved the SIAS Audit Charter.

Meeting ended at 8.20pm