

Audit Committee  
5 September 2024

## WELWYN HATFIELD BOROUGH COUNCIL

Minutes of a meeting of the AUDIT Committee held on Thursday 5 September 2024 at 7.30 pm in the Council Chamber, Council Offices, The Campus, Welwyn Garden City, Herts, AL8 6AE.

PRESENT: Councillors D.Panter (Chair)

J.Boulton, R.Platt, K.Bonkur and I.Walsh

OFFICIALS R.Baker, Executive Director (Finance & Transformation)

PRESENT: H.O'Keeffe, Assistant Director (Finance)  
R.Misir, Senior Democratic Services Officer  
A.Lyon, KPMG  
K.Fuller, Shared Internal Audit Service  
D.Bowler, Shared Anti Fraud Service  
A.Brittain, EY

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### 53. APOLOGIES & SUBSTITUTIONS

An apology for absence was received from Councillor Cathy Watson for whom Councillor Ian Walsh attended as a substitute. An apology for absence was also received from Victoria Welburn-Smith, Independent Person.

### 54. MINUTES

The minutes of the meeting of the meeting held on 25 June 2024 were approved as an accurate record

### 55. NOTIFICATION OF URGENT BUSINESS TO BE CONSIDERED UNDER ITEM 11

The Chair advised an item of urgent business (Statement of Accounts: Audit Approach) would be considered under item 11.

There were no other items of urgent business.

### 56. DECLARATIONS OF INTERESTS BY MEMBERS

There were no declarations of interest.

### 57. EXTERNAL AUDIT KPMG - PROGRESS REPORT ON THE EXTERNAL AUDIT PLAN 2023/24

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The KPMG representative introduced the report. The vast majority of planning and risk assessment work in relation to the financial statements was now complete and outstanding work related to a handful of procedures and controls performed after year end. KPMG had started testing the draft accounts. The proposed backstop date for the 2023/24 audit was 28 February 2025 and the audit was progressing well. The 2022/23 audit did not need to be signed off before work started on the 2023/24 audit and the 2022/23 proposed December backstop should not have an impact on progress for the audit.

Audit Committee had been presented with the indicative audit plan in March 2024 and KPMG advised it was not appropriate to present a final version of the audit plan until most of the planning and risk assessment work was complete, which was now the case. The two versions were very similar and changes included:

- A change of the In Charge Auditor.
- Significant risks in relation to fraudulent expenditure had been removed as during risk assessments KPMG had found no issues to date based on the value and explanations provided by the finance team.
- KPMG had added in its methodology for testing value for money, which aligned with NAO guidance, focusing on financial sustainability, governance, and improving economy, efficiency and effectiveness. The value for money work, which was extensive, was not quite complete; it was noted nothing had come to light to date that indicated any kind of significant risk or weakness. Given the next committee meeting was not until January 2025, KPMG would send its value for money risk assessment findings to management who would share it with committee members as appropriate.
- It was noted that on page 6 of the agenda pack the date should read 5 September 2024 (rather than 5 March 2024).

The following points were made during the discussion:

- Valuation of land and buildings was noted in the report as a significant risk and a member asked if the Council could take action to mitigate that. KPMG did not think this was realistic and advised this was a similar documented risk with other local authorities. Asked about the practical implications of the Council carrying that risk, KPMG said this would be an impact on the balance sheet because a very small difference in a percentage being applied, for example, or the misuse of a floor area multiplied across the size of a building could lead to a significant impact on the balance sheet.
- A member noted the Council did not particularly borrow against the property portfolio and asked about the practical implications if a risk was to crystallise. Officers replied that the Council borrowed from the PWLB rather than the market so the impact would be minimal; even if the balance sheet was to significantly change, this would not have a material impact on the financial position. The only caveat would be the Housing Revenue Account where there was a direct charge for depreciation of assets.

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- A member asked why, in the year ending March 2024, the value of buildings had gone down. Officers believed this was due to a reduction in property values, particularly dwellings, and would confirm this outside of the meeting.

The Committee noted the External Audit progress report on the External Audit Plan 2023/24.

#### 58. RISK MANAGEMENT QUARTER 1 RISK REGISTERS

The Executive Director (Finance and Transformation) introduced the report which set out the current identified strategic risks facing the Council, and those operational risks assessed as having a residual risk level of serious or severe (those with a score of 10 or more) as previously presented to Cabinet. The report was an assessment of risk as at 30 June 2024. Issues highlighted were:

- The increased risk of industrial action since the last quarter: two trade unions had rejected the National Joint Committee's pay offer and had stated their intention to ballot their members on possible strike action.
- Following reassessment, the score for the risk of failing to comply with the Regulator of Social Housing's regulatory standards had been reduced, there was good governance in place and at the end of June 2024 around 62 of the 100 actions on the action plan were complete or in progress.
- The risk around resilience and business continuity had been reduced; since the last quarter there had been an update to the emergency plan, an update to the reception centre plan, and a new rota was in place for gold, silver and bronze officers who had all received training.

No other strategic risk scores had changed.

The following points were made during the discussion:

- A member wondered if a period of deflation might be starting and wondered whether the Council was modelling and forecasting for that and if so, whether that would be viewed as positive or not. Officers explained that as part of the medium term financial strategy calculations which were currently being revised, they would use three scenarios as they had done for the last few years: a standard approach using standard assumptions made by the Bank of England, and also an upside risk and downside risk, each of which would be included in the report.
- Regeneration and economic development in relation to recruitment and retention had a high residual risk and a member asked for more information. Officers advised there were some vacancies in the team although there were now some additional staff and agency workers and the Council was making more use of the property framework through contractors. The risk remained as these were short term arrangements and it was a difficult field to recruit to which other local authorities were also finding, so it would remain as a high risk on the register until the team had longer term resources. There was no one single factor causing the situation and officers across Hertfordshire had discussed working together to recruit to roles. Salaries were lower than they were in the private sector

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making it more difficult for local authorities to compete and there were skills gaps although the Council looked at ways to develop people into the roles.

- The residual score for poor housing void management had increased but the commentary said there had been an improvement and a member asked for clarity. Officers said more work was being done to bring voids up to standard which represented challenges and although there had been an improvement in the contract, performance was still not meeting targets. The Executive Director (Finance and Transformation) undertook to see the risk management commentary was updated with a fuller explanation.

RESOLVED

Audit Committee:

- 1) Noted the risk registers at Quarter 1; and
- 2) Noted comments and actions in respect of the strategic and serious/severe operational risks.

59. SHARED INTERNAL AUDIT SERVICE (SIAS) - PROGRESS REPORT 2024/25

The Shared Internal Audit Service (SIAS) Client Audit Manager introduced the progress report which detailed the progress made by SIAS in delivering the Council's annual internal audit plan, the implementation status of the previously agreed audit recommendations and an update on performance indicators as at 12 August 2024. The report noted two completed audits since the last committee meeting; no new high priority recommendations had been raised as a result of the work and there were currently no outstanding high priority recommendations from previous reports. There had been two medium term priority recommendations due for follow up during the cycle: one had been implemented and an update had been provided in respect of the outstanding medium priority recommendation. The report included an update of performance indicators. Three of eleven client satisfaction questionnaires had been returned which were all at 'satisfactory' which was broadly in line with the progress at September 2023 committee, and there were no reported risks to the delivery of a robust annual assurance opinion. The report provided a detailed summary of all audits and their delivery status. Appendix E of the report contained a briefing paper on the new Global Internal Audit standards; SIAS was preparing for these changes but given it currently generally conformed (the highest state of compliance with the previous standards), the changes required should not be significant.

RESOLVED

Audit Committee noted:

- A) The Internal Audit Progress Report for the period to 12 August 2024 Report;
- B) The implementation status of internal audit recommendations and the management update; and
- C) The Global Internal Audit Standards Briefing Paper.

60. SHARED INTERNAL AUDIT SERVICE (SIAS) - ANNUAL REPORT 2023/24

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The SIAS Client Audit Manager introduced the SIAS annual report which provided the committee with an overview of the wider performance, achievements and future development activities for the service.

A member commented that there seemed to be a downward trajectory in recent years with issues including draft reports delivered compared to the target and audit draft reports delivered to target. SIAS responded that this was their overall report; they had met their targets for Welwyn Hatfield but in common with a number of internal audit services, they had experienced recruitment issues. The member queried whether this could impact the resource normally allocated to the Council and SIAS responded that they had gone through a recruitment process and were in a much better position so this was not seen as a risk, although the risk would always remain if staff were to leave or there were further recruitment issues further down the line.

Reflecting on this, a member suggested it could be useful to have local performance reported in future for comparative purposes and SIAS agreed this would be helpful.

The Committee noted the report.

61. SHARED ANTI-FRAUD SERVICE - PROGRESS REPORT ON ANTI-FRAUD PLAN 2024/25

The Counter-Fraud manager (SAFS) introduced the report as set out in the agenda. In respect of prevention, aside from the appropriate policies in place, SAFS had issued 20 urgent alerts related to current fraud methods that could be used against the Council. The Council had also been provided with two fraud risk assessments in relation to a number of current risks being seen across the country. Training was being given to Council staff.

There had been 40 allegations of fraud since April 2024. Referrals from staff had increased from last year indicating awareness sessions had had a beneficial effect. Currently 44 cases were under investigation and 5 were closed this financial year. Work on the biannual National Fraud Initiative had started, the Hertfordshire Fraud Hub ran alongside this exercise and work already done on this would help preparations for the National Fraud Initiative. Tenancy investigations continued to form a large part of SIAS' work. The Right to Buy process could be subject to fraud and money laundering allegations and there had been 15 reviews of applications so far this year. Other work across the authority included preparations for participation in the Council Tax framework and information about a blue badge campaign which took place across the county. There were currently no significant concerns about performance. The Chair thanked SAFS for its work and for continuing to save the Council money.

A member referenced a previous meeting when SAFS had said there was a systems issue with being able to identify cases. SAFS said there had been two issues: time recording which was resolved, and also monitoring urgent referral

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cases – the target time for that was 24 hours and this was currently being met for all such cases.

A member noted KPI 2, which said that by the end of July 2024, SAFS had provided 43% of the days planned for the year. SAFS said that was just past the first quarter so 43% was roughly right for the time of year so far.

The Committee noted the progress by officers and the Shared Anti-Fraud Service to deliver the Anti-Fraud Plan for the Council.

62. EXTERNAL AUDIT EY - VALUE FOR MONEY INTERIM REPORT FOR THE YEAR ENDED 31 MARCH 2023

The Ernst & Young Partner introduced the interim report. Auditors were required to provide views on the arrangements the Council has in place to secure economy, efficiency and effectiveness in its use of resources, which was done by looking at three sub-criteria covering financial sustainability, governance and performance improvement. The report was interim because the reporting EY was required to do under the NAO code was done in conjunction with the final signed audit opinion and no opinion had been issued in relation to 2022/23 although it had completed its value for money work as ministerial guidelines had said that should be prioritised. It was considered that there were no significant weaknesses in the arrangements currently in place.

The cover photograph of the report was a stock trading image and a member commented that could indicate betting on the stock market which the Council did not do and the image could be seen to give the wrong impression. EY said it had standard templates but would feed this back.

The Committee noted the report.

63. SUCH OTHER BUSINESS AS, IN THE OPINION OF THE CHAIR, IS OF SUFFICIENT URGENCY TO WARRANT IMMEDIATE CONSIDERATION

A report entitled 'Statement of Accounts – Audit Approach' had been published earlier and was considered as an item of urgent business.

The Executive Director (Finance and Transformation) advised the government had stated its intention to introduce backstop dates with a view to starting to bring local audit back on track. The Council had received a letter last week from its auditors EY in relation to the 2022/23 accounts which set out the information it would need to be able to make those backstop dates including assurance around the Council's ability to ensure it had approved accounts by the backstop date which was 13 December 2024. This deadline was before the next meeting of the committee and so the report sought delegated authority to the Executive Director (Finance and Transformation) in consultation with the Executive Member for Resources and the Audit Committee chair to approve the 2022/23 accounts.

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A member sought clarification as to whether these accounts would show any significant discrepancies as he understood that while the long term position was not ideal the actual in-year financial position was broadly stable. Officers said they were comfortable with the 2022/23 accounts; they intended to make some changes as part of the final approval process that had been discussed with the auditors but the changes would not have an impact on the general fund.

The Chair noted that some work had been carried out in 2022/23 and the Executive Director (Finance and Transformation) said the focus for that year was on the value for money conclusion which had just been considered by the committee. EY advised that a few additional procedures had been conducted as part of the value for money work including whether the Council had produced a set of accounts that had been properly inspected, bank reconciliations, and checking disclosures against appropriate sources. A member asked how this work would impact on Council resources in December. Officers said the letter (included in the supplementary agenda pack) set out the information that was required including statements from the Responsible Finance Officer and the Monitoring Officer; a large portion of the audit would be disclaimed so the work should be manageable.

**RESOLVED:**

The Committee agreed to delegate the approval of the statement of accounts for 2022/23, and any required actions to complete the audit process, to the Executive Director (Finance and Transformation), in consultation with the Executive Member for Resources and the Chair of the Audit Committee.

Meeting ended at 8.17 pm