

Audit Committee
27 September 2021

WELWYN HATFIELD COUNCIL

Minutes of a meeting of the AUDIT Committee held on Monday 27 September 2021 at 7.30 pm in the Council Chamber. Council Offices, Campus East, WGC, AL8 6AE.

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

L.Brandon, S.Kasumu, J.Skoczylas and J.Lake

ALSO PRESENT: Councillors D.Bell
SIAS D. Williams
Ernst & Young LLP A. Brittain

OFFICIALS PRESENT: Service Manager (Financial Services) (H. O'Keeffe)
Risk & Resilience Manager (A. Cremer)
Principal Governance Officer (J. Anthony)
Democratic Services Assistant (B. Taylor)

8. SUBSTITUTION OF MEMBERS

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

Councillor J. Lake for Councillor G. Ganney

9. APOLOGIES

Apologies for absence was received from Councillor G. Ganney

10. MINUTES

The Minutes of the meeting held on 28 June 2021 were agreed as a correct record and noted by the Chair.

11. RISK MANAGEMENT REPORT

Members received a report of the Corporate Director (Public Protection, Planning and Governance) which provided the current strategic risks facing the Council as determined by the Corporate Management Team for the quarter July to September 2021. Officers stated that there were no strategic risks to draw attention to but highlighted that the Covid risk had been downgraded.

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The following points were raised and discussed:

- Members asked whether there was a risk to council services such as bin collection due to the current fuel crisis. Officers stated that a report on how services were affected had been completed. Officers assured Members that the situation was manageable, but Officers would re-evaluate should the crisis be prolonged.
- Members asked about the robust controls mentioned in the report designed to protect against ICT failure. Officers agreed to circulate further information after consulting the relevant team.
- Members asked about the risk scoring around the management of council owned properties. Officers confirmed that the score reflected that the issue was known, and that steps had been taken to address compliance issues identified.
- It was noted that an update and reports on the housing compliance issue would be provided to the Cabinet Housing Panel to consider. The role of the Audit Committee was to review the risk framework in place and as such Members asked that Officers re-evaluate the risk score and update Committee Members by email once the re-evaluation had taken place.

RESOLVED
(Unanimous)

That the current strategic risk register and its comments be noted.

12. SHARED INTERNAL AUDIT SERVICE (SIAS) ANNUAL REPORT

Report of the Shared Internal Audit Service (SIAS) which detailed SIAS overall performance with its eight partners for the year 2020/21. The Head of SIAS stated a successful year of audits despite the challenges faced with the pandemic. Furthermore, SIAS had worked well in managing the impacts of the pandemic, including the ability to deliver audits remotely.

RESOLVED:
(Unanimous)

That the SIAS Annual Report be noted

13. 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 of 10 September 2021. The Head of SIAS highlighted amendments to the approved plan and confirmed that the report captured the status of recommendations being implemented. Head of SIAS informed Members of the two audit reports that have been finalised since the last audit committee. The first was housing land supply which was given a reasonable assurance rating with medium to low recommendations. The second was housing maintenance contract. This audit had been designed in two parts, with Part 1 providing one

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medium recommendation. It was noted that an assurance rating would be provided once Part 2 had been completed. Members noted that one High priority recommendation from the Building Services Asset Management audit had only been partially implemented.

The following points were raised and discussed/noted:

- Members asked about the issues with MS Teams given Officer reliance on the software whilst they worked remotely. Head of SIAS agreed to consult the report writers and update Members get more information.
- Members asked whether the Housing Maintenance Contract Part 1 report could be circulated. Head of SIAS agreed to review the report and circulate if appropriate in its current form.
- Members asked about plans to increase activity given the lower-than-expected audit days completed to date. Head of SIAS stated the original target may have been ambitious and noted the difficulty of undertaking certain audits remotely. However, all audits were in process and on schedule to be delivered by the end of the year.
- Members asked about the low client satisfaction performance indicator score. Head of SIAS stated that statistics may be misleading due to lack of questionnaires returned. Head of SIAS stated that different ways to increase feedback participation had been considered. With reference to the low score, the Head of SIAS assured Members that any below the target score would be followed up and information would be sought to explain the low score and identify where improvements could be made.

RESOLVED
(Unanimous)

That the 2021/2022 Internal Audit Progress Report recommendations be noted.

14. EXTERNAL AUDIT UPDATE - SEPTEMBER 2021

Members received the External Audit Report from Ernst & Young LLP which provided the Audit Committee with an update on the EY 2020/21 Audit Plan for the year ended 31 March 2021. The external auditor stated the audit process was half completed at the end of June/ start of July with the second half of the work to commence in early October. Members noted an additional risk that would be audited, which related to rental income from property and any provisions the Council had set aside to manage any potential liability. The external auditor reminded Members that the National Audit Office Code covering Value for Money had been reissued in 2020, which had changed how the auditors undertake their risk assessment and report Value for Money assessments. The external auditor confirmed that housing compliance issue would be looked at through the auditors examining how the Council as a whole monitors compliance issues through its governance arrangements. The External Auditor confirmed that this work was underway and would be concluded after the second visit is completed.

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The following points were highlighted and noted:

- In the context of recent media reports of failings by external auditors, the external auditor assured Members of the confidence they had on the scores published and the quality of its audits.
- Members asked for elaboration about the impact of Covid19 and the absence of a final figure for associated fees. The external auditor explained that the audit had not been completed and the impact of Covid-19 related activities, such as the administration of Covid grant schemes and additional work required to facilitate remote auditing was not yet fully known to enable a fee to be confirmed at this point.
- Members asked about the fraud risk concerning revenue. The external auditor stated that they are required to look at the Council's revenue recognition to assess whether the Council's approach was in line with the risk profile for the different types of activities undertaken and that income had been reported in the correct period.
- Members discussed the Council's bad debt provisions and the way in which this was managed. Members asked how aggressively the commercial rent debt was chased. The Executive Member for Resources confirmed that recovery actions were put on hold by central government in response to the pandemic. However, the Council was now taking appropriate steps to recover the debts; including agreeing payment plans for those businesses who had faced difficulties. Nevertheless, provisions had been put in place to cover bad debts, and the external auditors would take a view on whether the provisions were appropriate.
- Members asked about the risks associated with the pension's liability. The external auditor informed Members that they had yet to receive the pension auditor's reports detailing the assessment of the assets held by the pension fund and the actuarial estimates of the specific pension's liability for the Council. Once those reports are provided the external auditors would be able to assess the risk. Members noted that the Council had previously invested in the pension fund to reduce future liabilities.
- Members asked about the housing non-compliance issues. The external auditor confirmed that their work sought to look at the general governance arrangements in place and whether there were risks associated with those arrangements, and whether such arrangements had had an impact on the Council's ability to deliver Value for Money.

RESOLVED:
(Unanimous)

That the External Audit Progress Report by Ernst & Young LLP be noted.

Meeting ended at 8.18 pm
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