

Audit Committee
31 January 2022

WELWYN HATFIELD COUNCIL

Minutes of a meeting of the AUDIT Committee held on Monday 31 January 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, G. Ganney, F. Marsh, S. McNamara, S. Thusu, J.P Skoczylas

ALSO Councillor D. Bell (Executive Member, Resources)
PRESENT: M. Chalkley (SIAS)

OFFICIALS Head of Resources (R. Baker)
PRESENT: Risk & Resilience Manager (A. Cremer)
Democratic Services Assistant (V. Mistry)

15. SUBSTITUTION OF MEMBERS

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

Councillor S. Thusu for Councillor J. Boulton
Councillor S. McNamara for Councillor S. Kasumu

16. APOLOGIES

Apologies for absences were received from Councillors J. Boulton and S. Kasumu.

17. MINUTES

The minutes of the meeting held on 27 September 2021 were deferred until the next meeting as Councillor J.P. Skoczylas raised an issue with accuracy which Officers agreed to investigate following the meeting.

18. DECLARATIONS OF INTERESTS BY MEMBERS

Councillor S.Thusu declared a non-pecuniary interest in items on the Agenda as a Member of Hertfordshire County Council.

Audit Committee
31 January 2022

19. RISK MANAGEMENT REPORT

Members received a report of the Head of Public Health and Protection which provided the current strategic risks facing the Council as determined by the Corporate Management Team for the quarter October to December 2021.

Officers stated that there were no strategic risks to draw attention to but there had been a significant change in ownership whereby strategic risks were now going to the individual heads of service for ownership. A further review would take place in the next few months and it was noted that there would be changes to the strategic risk register.

The following points were raised and discussed:

- Members questioned the Housing Maintenance probability score as it had not changed from the previous meeting in September and should have been higher. Members stated that they have not had assurance that the matter had been investigated properly. Officers stated that the probability score of 2 was low and that weekly updates were produced to show where the checks were at present.
- Members wanted an update on Housing Maintenance risk management as it had been 4 months since the last meeting. Members stated there should have been an update on the matter. Officers stated that they would email Members with an update on the issue.
- Members questioned IT services and why it was in red and asked if the red status would continue in the future. In particular Members were keen to understand if the rating was due to critical failures within the IT systems associated with a high level of home working. Officers stated that remote working did have a significant impact on the risk of attack, as both public and private companies adapted to working from home there were increased cyber attacks. However, the probability scores reflected the fact that the Council was regularly at risk of external threat. The Council did have strong controls in place and have implemented different measures over the years particularly recently with Microsoft tools particularly with emails. Members noted there was a vulnerability in quarter 3 where the team had responded really quickly, identifying the network that was affected and putting in patches. Officers stated that the probability of an attack increased during the pandemic and would need to be reviewed as the Council moved into the recovery phase.

RESOLVED
(unanimous)

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

Audit Committee
31 January 2022

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

Report of the Shared Internal Audit Service (SIAS) in delivering the Council's Annual Audit Plan for 2021/22 as at 14 January 2022. Proposed amendments to the 2021/22 Annual Audit Plan report were highlighted, as were the implementation status of previously agreed audit recommendations. An update on performance management information was also provided.

Members noted that the 2021/22 Annual Audit Plan was approved by the Audit Committee at its meeting on 17 March 2021.

The following points were raised and discussed:

- SIAS had completed 5 audits with positive assurance outcomes and only two medium priority recommendations raised. It was noted that the table at 2.2 under assurance level were classified as 'not assessed', this was because it was a follow up audit and an assurance opinion was not re-issued. SIAS stated that they did follow up on the recommendations that were made in the previous audits that were undertaken.
- The paragraph at 2.4 captured amendments to the audit plan. This was essentially allocating additional time for contingencies to projects that were slightly larger than originally budgeted for. It was noted that the salary budgeting and monitoring project changed to look at financial regulations. This was in response to changes to the financial regulations and a desire to get some assurance on the implementations and applications of the changes, rather than look at salary budgeting which was deemed a lower priority.
- SIAS had added an additional advisory note to look at the ongoing management of the Mears contract with reference to changes made to contract management. The Community Infrastructure Levy (CIL) had been removed due to the outcomes of the Local Plan, which meant the value of an audit in this area at this time was reduced.
- At paragraph 2.7, the remaining high priority recommendations resulted in building services asset management audit on corporate property. It was noted that it had been implemented to a satisfactory level. Many of the medium priority recommendations had now been implemented, although there were two medium priority recommendations where revised target dates had been added.
- It was noted that the table at 2.11 had been updated since the report had been written. The planned days had increased to 58%. It was noted that SIAS felt it may be challenging to reach 95% this year as there had been many disruptions, such as organisational change and restructure which resulted in 4 redundancies within the team. They will strive to reach as close to 95% as possible but the focus for the rest of the year was to ensure that they had completed enough work to be able to provide an annual opinion at the end of the year.
- It was noted that SIAS were required to have an external quality assessment every 5 years. This was with an independent assessor and

Audit Committee
31 January 2022

took place in June 2021. The result of the assessment was a rating of 'partially conforms'. This was mainly around the clarity of SIAS's audit charter which was applicable across all partners. To rectify this, SIAS had updated the audit charter and the assessor indicated they could self-assess as 'generally conforms'. The assessor did note that SIAS was a well-regarded internal audit partnership delivering professional and quality services to its partners with high performance.

- Members asked if SIAS were confident that they would reach 95% at the end of the year and whether the annual opinion could be delivered if less than 95%. SIAS stated that they were confident that they would reach between 90% and 95%. Most of the projects in the plan this year would have been started and all the work that was not completed by the 31 March 2022 will be continued into April, which would feed into the annual report. It was noted they were looking at projects in the current quarter and quarter 4 and risk assessing projects on whether assurance was required to be provided by the end of the year or where there was flexibility to defer.
- Members asked if they could have next year's plans and reports in advance so they can view and comment on them. SIAS stated that they were currently in planning for next year and had met with 60% of heads of service. The intention was to bring a draft plan to the March meeting. It was noted that SIAS were looking into their approach to audit planning as some of the feedback they received was that their consistency across their partners could be improved and the transparency on how certain projects go into the plan could be improved. SIAS was looking to adopt a risk management type scoring system for the audit plan.
- Members queried why Climate Emergency was only in quarter 4. SIAS stated that the climate emergency may not get completed this year. The reason for this was because SIAS did a sustainability audit last year so they had some assurance in that area already. If it was not completed by the end of this year, SIAS will look to finalise the Climate Emergency audit at the beginning of next year.
- Members asked how the Council could improve their auditing or selection of areas to audit to ensure the Council does not behave illegally. SIAS stated that some of the changes that they had put in place for audit planning would hopefully pick up any issues that might get missed. SIAS had standardised the areas that they look at prior to meeting with heads of service.
- Members asked if there was a Council whistleblowing policy in place and whether it was designed for internal or external whistleblowing? It was confirmed that there was a policy and it was published on the Council website and it covered both employees and the public. It was also noted that there was training on whistleblowing to make employees aware of certain policies. Officers stated they would ensure it is picked up as part of employee inductions if this was not already in place.
- Members asked if the redundancies at SIAS were made to save money and if the restructure will help to increase the percentages in the long term? SIAS stated that the restructure was as a result of most partners

Audit Committee
31 January 2022

reducing their planned days at the start of 2021/22. The reduction at Welwyn Hatfield was minor (5 days). It was noted that the reason SIAS was impacted by the organisational changes was because of the uncertainty it caused within the team.

- Members suggested that there may be merit in the audit committee to look into the Housing audit in more detail as Members needed assurance in this area. The Chair advised that a specific and separate meeting would not be required as the matter was discussed at other committees as well as at Council. The Executive Member for Resources stated that the Council needed to identify how internal audit could be improved so that it could detect such incidences, and that it was the role of the Cabinet Housing Panel to consider progress against the plan.

**RESOLVED
(unanimous)**

- (1) Note the Internal Audit Progress Report for the period to 14 January 2022.
- (2) Note the implementation status of internal audit recommendations and the management update.
- (3) Approve the revised SIAS Internal Audit Charter.

21. APPOINTMENT OF EXTERNAL AUDITORS 2023/24 TO 2026/27

Report of the Head of Resources on the appointment of external auditors for the period of 2023/24 to 2026/27.

Councils were required under the legislation to appoint their own external auditors and the legislation set out two options for the Council:

- The Council could run its own procurement exercise.
- The Council could utilise the Public Sector Audit Appointments (PSAA), under the appointing persons regime (Local Audit (Appointing Person) Regulations 2015).

PSAA wrote to Councils in September 2021 to invite them to be part of the next procurement exercise which would seek to grant 5-year framework contracts. The Council needed to provide a response by 11 March 2022. The Council recognised that the current audit system was not ideal, with only 9% of local audits having been completed by the end of September. The areas raised in review were being considered as part of the national exercise including trying to widen the pool of potential firms that could bid for the work. Direct procurement had been considered but given the local government audit market it was unlikely that this would be the best means of securing an external auditor. Direct procurement would be resource intensive to administer and would see the Council looking to draw from the same pool of auditors that would be bidding for work under the national scheme.

Audit Committee
31 January 2022

The following points were highlighted and noted:

- Members thought it was a good organised scheme.
- Members asked why would the Council not go with the scheme and was it value for money? Officers stated that some Councils had considered moving away from the national scheme given some issues that had arisen. The national market for audit had come under scrutiny recently with a number of Councils failing to have their accounts audited by the deadline as set out in the statutory guidance. Also, there were some Councils that are blaming the issue on the auditors undertaking the work, and felt a more direct procurement approach may provide them with better contract management controls. The Council recognised that regardless of whether they opted for direct procurement or joined with the national scheme, the Council would attract the same pool of auditors. Officers advised that joining the national scheme would provide better value for money and offer a higher quality of service with the controls in place to manage contracts.

RESOLVED:
(unanimous)

That Audit Committee recommended to Council that the Council opts into the appointing arrangements made by Public Sector Audit Appointments for the appointment of its external auditors for the years 2023/24 to 2026/27.

Meeting ended 8.08pm
VM