

Audit Committee
21 March 2016

WELWYN HATFIELD COUNCIL

Minutes of a meeting of the AUDIT COMMITTEE held on Monday, 21st March, 2016 at 7.30 pm in the Salvation House, 2 Sterling Court, Mundells, Welwyn Garden City, Herts, AL7 1FT

PRESENT: Councillors S Markiewicz (Chairman),
D Bell, M Cowan, G Michaelides and S Roberts.

OFFICIALS

PRESENT: Jane Cika (Finance Manager)
Ian Colyer (Principal Governance Officer)
Richard Burbidge (Committee Manager)
Kay Storey (Ernst & Young)
Darren Williams (Shared Internal Audit Service)

24. APOLOGIES

An apology for absence was submitted by Councillor A Franey (Executive Member for Resources).

25. MINUTES

The minutes of the meeting held on 16 November 2015 were confirmed as a correct record and signed by the Chairman.

26. ACTIONS UPDATE

Arising from Minute 22 (2) – Audit Letter 2014/15 – The Chairman reported that because the timescale for the production and audit of the accounts for 2015/16 would crossover between two municipal years it would not now for officers to provide him with a timetable for the review of processes involved.

27. DECLARATIONS OF INTERESTS BY MEMBERS

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

28. RISK MANAGEMENT

The report of the Director (Governance) brought to the Committee's attention the current top risks facing the Council, as determined by Managers and entered to the TEN Risk Manager System.

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Members were informed that with regard to strategic risks all of the risks identified in this category (Appendix A) were shown as being either medium risk (amber) or low risk (green). However, a number of operational risks (Appendix B) were shown as high risk (red).

Arising from consideration of the strategic risks attention was drawn to the following points -

Change Management - the term 'Coalition Government' was used and needed to be removed.

Corporate Resilience – why had the risk factor been increased from 8 to 13?

Equalities and Diversity – why had this risk been reduced from 12 to 8?

Finance – Members expressed the view that the greatest risk in this area was that of changes to the funding arrangements for the whole of local government but it was accepted that it was difficult to assess that risk. Reference was also made to the discussion held at the meeting of the Committee on 23 March 2015 (vide Minute 26 – 2014/15) when it had been agreed that this section of the report include a specific reference to pensions pressures. Had there been any progress on this proposal?

Local Plan – given the importance of this issue why were there no management comments? Details of the project plan referred to in the text were required to ensure this process was on track.

Partnerships – was the feedback received from customers reliably reported? There were suggestions that key contracts such as Finesse and Serco were not being adequately monitored and was there a danger of a rogue contractor?

Safeguarding – which parts of the Council did this risk directly affect?

Arising from consideration of the operational risks attention was drawn to the following points -

Inadequate professional resource - was there a mitigation plan for this risk as it was clearly now a higher risk than last time?

Server Room Move – why had risk remained as amber when the server room move was successful and should this risk now be removed?

Premises – It was noted that the risk assessment had changed from green (low) to amber (medium) but that there were no accompanying management comments. In the current score column it was suggested that the risk would reduce but no reason was given.

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Generally, Members also commented that with regard to the layout of the report was that whilst they were happy with the layout of the top operational risks (Appendix B) which was in landscape format they did not like the layout of the strategic risks which was in portrait format and which they felt should be changed to be the same as the operational risks.

The Principal Governance Officer indicated that he would feed the Committees comments back to the Risk and Resilience Manager.

RESOLVED

That subject to the foregoing comments the following be noted –

- The current Strategic Risk Register and top operational risks as set out in the appendix to the report of the Director (Governance);
- The controls that were assigned to them which were relevant to the risk in question.
- That mitigation plans were in place where necessary and that the current status was correct.
- The comments in respect of each risk where shown.

29. SHARED INTERNAL AUDIT SERVICE (SIAS) INTERNAL AUDIT PROGRESS REPORT

Members noted that the report of the Shared Internal Audit Service (SIAS) provided them with the following information -

- a) the progress made by the SIAS in delivering the Council's 2015/16 Internal Audit Plan as at 2 March 2016,
- b) the findings for the period 26 October 2015 to 2 March 2016,
- c) the details of changes to the planned start dates of audits from the approved 2015/16 Audit Plan,
- d) the proposed amendments required to the approved 2015/16 Audit Plan, and
- e) an update on performance management information as at 2 March 2016.

Darren Williams (SIAS) updated the Committee on the Delivery of the Audit Plan and Key Audit Findings. It was noted that 91% (up from 87%) of the 2015/16 Audit Plan days had now been delivered and that five audits had been finalised.

The Committee noted that there had been three recommendations arising from the audit of the Council Tax in relation to properties awaiting valuation; review dates; and scanning. In response to the recommendations Council officers had agreed to take the actions recommended, and to provide confirmation that the

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issues regarding review dates had been investigated and resolved. Members asked if it would be possible to introduce into future update report deadlines for the completion of recommended actions to facilitate their monitoring.

Arising from the section of the report on performance management, the Committee were advised that the percentage of Planned Projects was now 83% (up from 60%).

RESOLVED

1. That the Internal Audit Progress Report be noted and approval be granted to the amendments to the Audit Plan as set out in the report of the Shared Internal Audit Service.
2. That the recommendations in SIAS audits be monitored by the Principal Governance Officer and a progress report on cleared actions be submitted to the Committee.

30. SHARED INTERNAL AUDIT SERVICE - AUDIT PLAN 2016/17

The report of the Shared Internal Audit Service provided Members with the proposed Welwyn Hatfield Borough Council Internal Audit Plan for 2016/17.

The Committee noted that the Internal Audit Plan set out the programme of internal audit work for the year ahead, and formed part of the Council's wider assurance framework. Also, that it supported the requirement to produce an audit opinion on the overall internal control environment of the Council, as well as a judgement on the robustness of risk management and governance arrangements, contained in the Head of Internal Audit annual report.

Clarification was sought of whether the proposed audit of Debtors would cover what should have been received and whether the proposed audit of Debtors would cover hidden liabilities. The Committee were informed that both of these audits would be focussing on a review of systems rather than on balance sheets. Management Assurance Certificates were issued as part of the end of year processes.

Concern having been expressed that 10 days were proposed to carry out the audit of CCTV, it was confirmed that the scope of the review could be widened to include value for money considerations. However, at the scoping stage a review of the time allocated could be made.

Clarification was also sought in relation to the audit of CW Entertainment (Campus West) and Members were informed that the approach being adopted was of a rolling programme over a three year period to provide more detailed assurance over elements of the systems that were covered at high level during the 15/16 audit.

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That approval be granted to the proposed Welwyn Hatfield Borough Council Internal Audit Plan for 2016/17 as set out in the report of the Shared Internal Audit Service.

31. ACCOUNTING POLICIES UPDATE - 2015-2016 STATEMENT OF ACCOUNTS

The Committee were informed that accounting policies were the specific principles, bases, conventions, rules and practices applied by an entity in preparing and presenting financial statements. For local authorities, these policies were developed in accordance with the Code of Practice on Local Authority Accounting (The Code).

The Council were required to disclose their accounting policies in the Statement of Accounts. Unless there were major changes to accounting rules and regulations or there was a significant change in the financial activities of the Council, accounting policies did not change radically between years. The Council's accounting policies were determined by the Director (Finance & Operations) and it was considered to be best practice for the Audit Committee to be kept informed of any key changes.

The purpose of this report was to notify the Committee of the key changes to accounting policies adopted for 2015/16 and the full policies which were set out at Appendix A to the report.

RESOLVED

That the accounting policies for the 2015/16 Statement of Accounts as set out at Appendix A to the report of the Director (Finance and Operations) be noted.

32. EXTERNAL AUDITOR'S AUDIT PLAN - 2015/16

Members noted that the Audit Plan submitted by Ernst & Young covered the work that they planned to perform to provide the Council with -

- Their audit opinion on whether the financial statements of Welwyn Hatfield Borough Council gave a true and fair view of the financial position as at 31 March 2016 and of the income and expenditure for the year then ended;
- Their conclusion on the Council's arrangements to secure economy, efficiency and effectiveness;

They would also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on the Council's Whole of Government Accounts return. Their audit would also include the mandatory procedures that they were required to perform in accordance with applicable laws and auditing standards.

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Members also noted that when planning the audit Ernst & Young took into account several key inputs, viz:

- Strategic, operational and financial risks relevant to the financial statements;
- Developments in financial reporting and auditing standards;
- The quality of systems and processes;
- Changes in the business and regulatory environment; and
- Management's views on all of the above.

By considering these inputs, their audit was focused on the areas that mattered and their feedback was more likely to be relevant to the Council.

Arising from consideration of the Plan reference was made to the following points -

Changes around Business Rates might add a degree more volatility to financial statement risks;

Responsibilities in respect of fraud and error – was there an associated risk of people not understanding and doing things in the wrong way;

Value for money risks – in response to a question by a Member Kay Storey informed the Committee that in her personal experience she had never produced a negative conclusion in an audit but the financial pressures arising from the recent economic downturn and reductions in the level of Central Government funding to local government had led to an increase in the risk to some local authorities.

Materiality - in response to a question by a Member the Committee were advised that the materiality level referred to in the Plan was the level of error at which the Council would be required to change their accounts.

Fees – clarification having been sought of how many hours the indicative fee scale represented, the Committee were advised that the fee quoted was for the whole audit and that the standard rates for additional work were in the public domain. There were many variables in cost days and this would not be meaningful information. The level of fees predicated on the quality of the paperwork produced.

Timetable - it had now been agreed that the report to the Committee setting out the results of the audit would be submitted by the end of July and the Plan should be amended to reflect this.

Welwyn Hatfield Community Housing Trust – clarification was sought of the rules regarding the transference of funds between the General Fund and the Housing Revenue Account on behalf of the General Fund or vice versa then the recharging process ensured that the appropriate amount of charges were incurred by both the General Fund and the General Fund and by WHCHT.

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Special Expenses – in response to a question about whether Special Expenses (Town and Parish Councils) were ever audited, Members were advised that they were not subject to a specific audit. Jane Cika agreed to provide clarification of the position following the meeting.

RESOLVED:

That, subject to the foregoing comments and the amendment of the timetable in paragraph 4.7 in relation to the completion of the audit, the 2015/16 Audit Plan as set out in the report be noted and approved.

(N.B. The budgets for all areas of the Council's expenditure, including special expenditure were set with reference to the historical cost of delivering the services and any known growth or savings items in the coming year such as employee pay increases.

Once budgets were initially set by the Cabinet, the special expenses work commenced as part of the budget process. This involved reviewing the new budgets for the coming year and the apportionment of costs between parishes was reviewed at this time also to ensure that the charges were set accurately according to the budgeted expenditure in each of the areas for that year. Any variances to budget would be reviewed and picked up when the budget was set for the following year).

Meeting ended at 9.10 pm
RB