

Audit Committee  
16 January 2017

WELWYN HATFIELD COUNCIL

Minutes of a meeting of the AUDIT COMMITTEE held on Monday, 16th January, 2017 at 7.30 pm in the Council Chamber, Council Offices, The Campus, Welwyn Garden City, Herts, AL8 6AE

PRESENT: Councillors G Michaelides (Chairman)  
S Markiewicz, N Pace (In place of M Levitt), H Quenet and S Roberts  
D Bell – Executive Member Resources

ALSO PRESENT: N Harris, Ernst and Young  
C Ryan, Ernst and Young  
K Storey, Ernst & Young

OFFICIALS PRESENT: Ka Ng - Executive Director  
I Colyer - Principal Governance Officer  
S Hulks - Governance Services Officer  
Margaret Mulkerrin - SIAS

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23. SUBSTITUTION OF MEMBERS

The following substitution of a Committee Member had been made in accordance with Council Procedure Rules 19-22:

Councillor N Pace for Councillor M Levitt.

24. APOLOGIES

Apologies had been received from Councillor M Levitt.

25. MINUTES

The Minutes of the meeting held on 17 October 2016 were confirmed as a correct record and signed by the Chairman.

26. NOTIFICATION OF URGENT BUSINESS TO BE CONSIDERED UNDER ITEM 10 AND ANY ITEMS WITHDRAWN FROM THE AGENDA

The Chairman accepted a report from the external auditors, Ernst and Young, which detailed the Audit Plan.

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The reason for accepting this item as urgent business was in order to allow Ernst and Young to ensure that the contents of the Plan could be agreed in a timely manner.

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

Members received a report from the Shared Internal Audit Service (SIAS) which provided them with:

- a) details of the progress made by SIAS in delivering the Council's 2016/17 Internal Audit Plan as at 16 December 2016
- b) the findings for the period 26 September to 16 December 2016
- c) the details of changes to the planned start dates of audits from the approved 2016/17 Audit Plan
- d) the proposed amendments required to the approved 2016/17 Audit Plan
- e) an update on performance management information as at 16 December 2016

The following points were noted:

1. since the report had been published, Campus West and Council Tax had been added to the list of completed audits
2. key financial targets would be met
3. the audit of Corporate Governance would be transferred to the 2017/18 Plan in order to take into account the reintegration of the Housing Trust into the Council
4. the percentage of completed audits was at 56.5%

Procurement had received a high recommendation for the use of INTEND and Members asked whether this system would record cumulative amounts for contracts as it was felt that there was a potential weakness in this area.

Officers advised that the Procurement Policy and Strategy detailed how contracts could be allocated and Managers had the responsibility of ensuring that multiple contracts were not awarded to the same company, so breaking European Procurement Rules. There was a framework in place and the Finance Department would also be able to see if invoices were exceeding the amounts allowed.

Members were reassured that adequate measures were in place.

RESOLVED

To note the report from SIAS which detailed progress made to date and changes to the Plan for the remainder of the year.

28. OPTIONS FOR APPOINTING AN EXTERNAL AUDITOR

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Members received a report from the Head of Resources which provided details on the requirement for the Council to appoint its own external auditors.

Members had been provided with the information at the meeting on 17 October 2016 and the report noted that Members had been minded to support the proposal to opt into the national scheme and that the appointment of external auditors should remain a Council function.

The report which had been prepared for Full Council on 6 February 2016 was included as an appendix to the committee report and provided more detailed information on the options available.

Members were still of the opinion that the Council should opt into the national scheme of auditor appointments.

#### RESOLVED

To recommend to Council to accept the invitation to join the national scheme of auditor appointments and to respond to the invitation before the deadline of 9 March 2017.

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

Members received an urgent item from Ernst and Young.

The Chairman agreed to accept this as an urgent item as, to delay its inclusion to the next meeting, would mean that Ernst and Young could not consider the risks for the forthcoming year and prepare and agree the Audit Plan in a timely manner.

Neil Harris, Engagement Partner for Ernst and Young, introduced Carol Ryan as the new External Audit Manager for the Council. He explained that there had been a restructure and the previous External Audit Manager, Kay Storey, had been reassigned to another area of work. He thanked Kay for her work. He also thanked the Chairman for accepting the report as an urgent item.

Kay presented the Certification of Claims and Returns Annual Report 2015/2016 which summarised the results of the work on the Council's 2015/16 claims and returns.

Members were informed that there had been a major piece of work on Housing Benefits Subsidy Claims. There had been a very minor error of 50 pence for which there was no materiality. It was noted that the Housing Benefits Team had provided very good support with this work. The team had also performed well.

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As a result of the work that had been undertaken, it was anticipated that there would be a reduction in “40+” testing that would need to be carried out in the next year. This reduction would be reflected in the fee charged.

Members asked whether there were any systemic issues and if there was any consequence on the contract if there was additional expense for greater testing. Kay responded that Housing Benefits were very complicated and that the errors were human not system. She pointed out that £2,569 paid as overpayments was a small amount.

Neil Harris then presented the second half of the report which detailed the Audit Plan. He explained that there were two parts to the Plan, financial for which Ernst and Young would provide an opinion on whether the Council’s financial statements gave a true and fair view of the financial position as at 31 March 2017 and of the income and expenditure for the year then ended; and the economical, effective and efficient use of resources.

Two significant risks had been identified (risk of fraud in revenue recognition and risk of management override) and there was a risk that financial statements might not reflect the impact from the reintegration of housing services into the Council’s operations.

Changes to the Income and Expenditure statement would have an impact and Ernst and Young would work with the Finance Team to consider this impact.

There were no significant concerns regarding Value For Money risks.

Materiality would be at a level of 2% but would be reviewed throughout the audit.

The timetable showed that draft accounts were expected by the end of May and that the final accounts would be signed off by the end of July.

Members were advised that the interim work should be completed by 3 April, the date of the next Audit Committee meeting. If anything of significance had been identified, it would be reported to that meeting. However, if there was nothing of significance to report, then no report would be forthcoming.

Members queried whether it was felt that independence was maintained between the arm of Ernst and Young that was dealing with the audit and the one dealing with the liquidation of the Housing Trust.

Neil Harris stated that he felt the independence could be maintained and that comments on the liquidation could be provided.

Officers also pointed out that the housing Trust had Grant Thornton as its own external auditors. Also that there would be no final accounts, only details of the assets and liabilities.

RESOLVED

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To note the report, so allowing Ernst and Young to consider the risks for the forthcoming year and to agree the Audit Plan in a timely manner.

Meeting ended at 8.10pm