

Audit Committee  
22 March 2018

## WELWYN HATFIELD COUNCIL

Minutes of a meeting of the AUDIT Committee held on Thursday 22 March 2018 at 7.30 pm in the Council Chamber, Council Offices, The Campus, Welwyn Garden City, Herts, AL8 6AE.

PRESENT:	Councillors	N.Pace (Chairman)  J.Boulton, G.Michaelides, H.Quenet, S.Roberts, K.Thorpe and C.Gillett
ALSO PRESENT:	Councillor	D. Bell (Executive Member for Resources)  Ernst and Young LLP (C. Ryan)
OFFICIALS PRESENT:	Executive Director (Resources, Environment and Cultural Services) (K. Ng) SIAS (M. Chalkley) Head of Resources (R. Baker) Governance Services Officer (G. Paddan) Governance Services Officer (H. Johnson)	

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### 21. SUBSTITUTION OF MEMBERS

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

Councillor C. Gillet for Councillor H. Bower.

### 22. APOLOGIES

Apologies for absence were received from Councillor H. Bower.

### 23. MINUTES

The Minutes of the meeting held on 15 January 2018 were confirmed as a correct record and signed by the Chairman.

### 24. ACTIONS UPDATE

There was nothing to report.

Audit Committee  
22 March 2018

25. SHARED INTERNAL AUDIT SERVICE (SIAS) PROGRESS REPORT

Report of the Shared Internal Audit Service (SIAS) provided details of the delivery plan and key findings as well as details of the proposed amendments to the Audit Plan.

Members noted that the Council was further forward than at the same time in the previous year and although the targets were not going to be met on projects (currently at 72% as of 2 March 2018), targets for planned days would be met by the end of the year (at 95%). Members were advised that progress in general was deemed to be enough for annual assurance opinion.

The following points were raised by Members and discussed with regards to proposed amendments to the Audit Plan.

Some Members were concerned that the recycling audit had been cancelled. It was noted however that this was not about the recycling rate which was reported to the Environment and Overview Scrutiny Committee (EOSC) but about payments from Hertfordshire County Council (HCC).

It was noted that the implementation date for segregating duties with regards to credit notes would be linked to the upgrade of the Agresso system, and this is anticipated to be completed in July/August 2018.

Additionally, it was noted that anti-fraud arrangements would be considered by 30 April 2018 and a decision would be made as to which option be preferred to implement the changes.

RESOLVED:

- (1) That the Internal Audit Progress Report and details of the progress of the Internal Audit service against year-end targets be noted.
- (2) That the amendments to the Audit Plan as at 2 March 2018 be noted.

26. SHARED INTERNAL AUDIT SERVICE (SIAS) AUDIT PLAN REPORT 2018-2019

Members received a report from the Shared Internal Audit Service (SIAS) on the proposed Audit Plan for 2018-2019.

The Council's 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. 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.

Audit Committee  
22 March 2018

SIASs' Audit Charter which was presented to the July 2017 Audit Committee meeting showed how the Council and SIAS worked together to provide a modern and effective internal audit service. The approach complied with the requirements of the United Kingdom Public Sector Internal Audit Standards (PSIAS) which came into effect on 1 April 2013. An updated version of the SIAS Audit Charter would be brought to the July 2018 Audit Committee meeting for Member approval.

Members noted Section 2 of the report which detailed how SIAS complied with the requirements.

The following points were raised and noted:

- Responsibility for deciding what was or would be included in the scope of an audit was done jointly by SIAS, the Heads of Service, the Executive Directors and the Principal Governance Officer.
- Members could input into the scoping process if they felt that there was a particular issue.
- The audit plan was fluid and could be amended to reflect any issues that might arise, for example the Grenfell Tower Fire or Brexit.
- SIAS had five days of contingency built into the Audit Plan.
- Members suggested that fire safety ought to be included in the audit plan, however it was noted that SIAS's commercial partner BDO LLP may not necessarily be the fire safety expert in the field.
- That "parking services" was too broad a term referred to in the Audit Plan and agreed that it be changed to "parking permits".

RESOLVED:

- (1) That the proposed Welwyn Hatfield Borough Council Internal Audit Plan for 2018/19 be noted.
- (2) That "Parking Services" be changed to "Parking Permits" in future reports, for the avoidance of doubt.
- (3) That "Fire Safety" be included in the proposed Audit Plan for 2018/19.

27. EXTERNAL AUDIT PROGRESS REPORT - ERNST AND YOUNG LLP (EY)

Members received the External Audit Progress Report from Ernst and Young LLP (EY) which provided them with an overview of the progress that had been made with work completed during the 2017/18 Audit.

With regards to significant risks, EY advised that the risk of material misstatement arising from inappropriate revenue recognition had a low likelihood of occurrence and would be unlikely to be of a size which would be material to the users of the financial statements. They therefore rebutted the

Audit Committee  
22 March 2018

risk of fraud in revenue and expenditure recognition and would keep the assessment under review and report any changes.

In addition, EY advised Members that the area that management had the greatest opportunity to override controls was within non system accruals where judgements and estimates are made. They would update the Audit Committee with their findings in their Audit Results Report at the July 2018 meeting.

With regards to other areas of audit focus, they advised that there could be key audit matters included in their audit report, which included:

- Valuation of land and buildings
- Pension liabilities
- Early closedown of accounts.

Members noted that EY had already completed work in many areas, to facilitate the earlier statutory deadline for the audit of the financial statements.

EY advised Members that they would be undertaking an audit of the draft financial statements in May 2018 and would report their findings in the Audit Results Report to the June Audit Committee.

RESOLVED:

- (1) That the External Audit Progress Report by Ernst and Young LLP for work completed during the 2017/18 audit be noted.

Meeting ended at 8.05 pm  
HJ/GP