

## **AUDIT COMMITTEE**

**20 September 2018**

Present: Councillor D Scudder (Chair)  
Councillor J Johnson (Vice-Chair)  
Councillors A Khan, P Kloss and G Saffery

Also present: Andrew Brittain (Ernst and Young)

Officers: Head of Finance (shared services)  
Client Audit Manager, Shared Internal Audit Service  
Committee and Scrutiny Officer

### **14 Apologies for Absence/Committee Membership**

There were no apologies for absence.

### **15 Disclosure of Interests (if any)**

There were no disclosures of interest.

### **16 Minutes**

The minutes of the meeting held on 26 July 2018 were submitted and signed.

### **17 Role of Audit Committee in Risk Management**

The Head of Finance gave a presentation on the committee's role when monitoring risk management. She advised that risk management was being embedded into the culture of the council. Generally local authorities were averse to taking risks however gradually this attitude was changing as local government changed. She explained the risk management scoring matrix and that a score of 16 should be a very rare occurrence once mitigation measures had been taken into account. She set out the monitoring processes for risks and the corporate risk register.

The Head of Finance advised that CIPFA provided an explanation of an Audit Committee's role. The committee's terms of reference had three points related to risk management and the statement of internal controls. She highlighted each report the committee received and where risk was included. She also provided

example questions the councillors should consider when reviewing reports. It provided the committee with the opportunity to request further information to ensure that risks were being managed appropriately.

Following a question from Councillor Kloss about the risks presented to Budget Panel, the Head of Finance informed councillors that Budget Panel received information about financial risk. There were more strategic risks and these were included in the Corporate Risk Register, which was due to be presented to Audit Committee at its March 2019 meeting.

It was agreed that the Head of Democracy and Governance would be asked to present the Corporate Risk Register at the December meeting at the same time as the Risk Management Strategy was due to be considered.

The Committee and Scrutiny Officer added that the risks related to the Watford 2020 programme were regularly presented to Overview and Scrutiny Committee for consideration.

The council's external auditor, Andrew Brittain, advised the committee that members' role was not to re-debate or redesign the risks but to monitor them and seek assurance that they were being managed.

The Chair thanked the Head of Finance for her presentation.

## 18 **External Auditor's update**

The committee received the Annual Audit Letter from the external auditor, EY.

The Associate Partner from EY, Andrew Brittain, confirmed that the council's final accounts were duly signed on 9 August 2018.

Mr Brittain advised that the Annual Audit Letter summarised the work the external auditor had carried out during the year. It reflected the presentation given to the committee in July. The only outstanding item in the letter was the audit fees. Additional work had been required which affected the level of the fees and this was still under discussion with officers. Once an agreement had been reached the level of fees would be reported to the PSAA for final approval. He would ensure this information was provided to the committee.

In response to a question Councillor Khan about the late completion of the council's accounts, Mr Brittain explained that during the review of the accounts it had been assessed that it would be necessary to receive a report on the joint venture accounts for the Watford Health Campus. These accounts were not

audited by EY. A request was sent to the relevant auditor who provided the information on 2 August.

The Head of Finance said that she had given her assurance to the Managing Director that, working with the auditor, the accounts would not be signed late again. She reiterated that the accounts had been closed on time and all other work had been completed; it was solely the audit of the group accounts that had caused the delay.

The Chair added that this was the first year that the statement of accounts had to be completed by the end of July. If the group accounts had not been required then the accounts could have been signed on time.

The Head of Finance informed the committee that she understood the PSAA would not name any authority who had managed to sign their accounts by 30 September 2018. The Chair said that the key thing was that the accounts were okay and there were no problems.

Andrew Brittain updated the committee on the 2018/19 accounts. The PSAA had re-let the contract to EY. The company had carried out a re-organisation, which meant that he would be handing over to another partner. However he would still be completing the outstanding work on Housing Benefits.

RESOLVED –

that the contents of the report be noted.

19 **SIAS Board Annual Report 2017/18**

The committee received a report of the Shared Internal Audit Service (SIAS) which provided the annual report covering the overall performance for the service. The annual report presented in July was only related to the work at Watford.

RESOLVED –

that the Shared Internal Audit Service Annual Report 2017/18 be noted.

20 **SIAS Progress Report 2018/19**

The committee received a report of the Shared Internal Audit Service that detailed progress made in delivering the Council's Annual Audit Plan for 2018/19.

The Client Audit Manager highlighted key aspects of the report. He advised that the completed projects to draft report's target was currently five percentage points below the profiled target. However, this related to one report that was about to be issued. This would ensure the service met its target. The report outlined two recommendations that officers had requested an extension to the implementation dates. Further information was available in Appendix C to the report.

Councillor Khan noted that one of the requested extensions related to Safeguarding. This was an important issue that had to be done. He was concerned about the continued slippage of this recommendation, which had originally been issued November 2015.

The Client Audit Manager advised that officers had provided an update which is set out in Appendix C. He said that if the committee requested further information, the officers would be contacted to provide a more detailed update.

The Head of Finance said that as a member of the Leadership Team she could assure the committee that safeguarding was happening within the council.

The committee agreed that officers would be asked to provide a more detailed response and report to the next meeting.

Councillor Khan then referred to the Cyber Security 2017/18 recommendation that officers had asked to be extended until 31 December 2018. He was concerned that this recommendation had still not been resolved.

The Head of Finance and the Client Audit Manager said that officers could be asked to provide further information as it may still not be resolved by the next meeting.

The Head of Finance added that officers were progressing with the migration and she was aware that Finance was one of the last servers to be migrated.

The Client Audit Manager advised that this was an annual audit and the next one was currently at the planning stage with officers. As part of the process outstanding previous recommendations would be discussed.

The committee agreed that officers present a report to the next meeting on their progress in implementing the final recommendation for the 2017/18 Cyber Security audit.

The Chair noted that the Tree Surveying 2016/17 audit still had three recommendations outstanding. He was aware the deadlines had been revised to

31 July 2019, but this was some considerable time after the report was originally issued in April 2017.

The committee agreed that officers would also be asked to provide a more detailed update on the progress of implementing the outstanding recommendations for the Tree Surveying audit.

RESOLVED –

1. that the Internal Audit Progress Report for the period to 7 September 2018 be noted.
2. that the amendments to the Audit Plan as at 7 September 2018 be approved.
3. that the removal of the implemented recommendations (as shown in Appendix C of the report) be agreed.
4. that changes to the implementation dates for two recommendations (as shown in paragraph 2.5 of the report) for the reasons set out in Appendix C of the report be agreed.
5. that the relevant officers be asked to provide detailed explanations for the delays in implementing the recommendations for the following audits –
  - Safeguarding 2015/16
  - Tree Surveying 2016/17
  - Cyber Security 2017/18

## 21 **Committee Work Programme**

The committee received a report from the Head of Finance (Shared Services) setting out the committee's proposed work programme for 2018/19.

As agreed earlier in the meeting, the Head of Democracy and Governance would be asked to bring a report on the Corporate Risk Register rather than to March. The three reports requested in the previous meeting would also be requested for the December meeting.

The Head of Finance informed the committee that as there were no actions from the Annual Governance Statement it would not be necessary to present an update at the remaining meetings for this year.

The committee agreed that a presentation and the committee's role in the Statement of Accounts would be included at the start of the next meeting.

RESOLVED –

that the work programme be noted and updated as requested.

Chair

The Meeting started at 7.00 pm  
and finished at 7.55 pm