

## **AUDIT COMMITTEE**

**15 September 2022**

Present: Councillor M Hofman (Chair)  
Councillor M Devonish (Vice-Chair)  
Councillors K Clarke-Taylor, L Nembhard and M Turmaine

Also present: Simon Luk (EY)

Officers: Group Head of Democracy and Governance  
Head of Finance  
SIAS Audit Manager  
Democratic Services Officer (LM)

Prior to the start of the meeting, the Chair made the following statement.

This meeting of the Audit Committee is taking place during the national period of official mourning. On behalf of the committee, I would like to express our profound sadness on the death of Her Majesty, Queen Elizabeth II. We are grateful for her service and devotion to the country over her 70 year reign and we extend our deepest condolences to the Royal Family. We send our best wishes to King Charles III for a long and successful reign. We will now stand to observe a minute's silence in honour of Her Majesty.

Following the minute's silence the Chair thanked those present and commenced the business of the meeting.

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

There were no apologies for absence.

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

There were no disclosures of interest.

### **15 Minutes**

The minutes of the meeting held on 29 July 2022 were submitted and signed.

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### **RIPA Update**

The Group Head of Democracy and Governance introduced the annual report of the council's Regulation of Investigatory Powers Act (RIPA) policy. It had been noted that no authorisations had been required over the last year. The Group Head of Democracy and Governance advised that they had amended the policy to reflect the change to authorising officers after the changes in the council's senior management structure.

RESOLVED –

that the committee notes that no RIPA authorisations had been made for the financial years 2019/20, 2020/21 and 2021/22.

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### **Statement of Accounts Update**

The Head of Finance introduced the report on the Statement of Accounts, which set out the latest position for the external audit for 2019/20, 2020/21 and 2021/22. The 2019/20 audit had been completed and then moved into a consultation period with Ernst Young (EY). It was expected that the outstanding issue of infrastructure assets would be resolved, and the audit was projected to be signed off by the end of September 2022. Work on the audit of the Statement of Accounts 2020/21 had begun in July by EY. To be completed by September, however, these would rely on information from external experts on the pension fund and investment property valuation. The Head of Finance advised that good progress had been made with the audit and that EY had raised no significant issues. The Director of Finance authorised the draft Statement of Accounts 2021/22 and published it by the 31 July deadline. The Head of Finance advised the committee that the Public Sector Audit Appointments (PSAA), procurement of local audit services, had secured 96.5% of the required capacity. A decision would be announced at the November Audit Committee.

In response to members' questions, the Head of Finance advised that the relationship between EY and the finance officers worked well. There had been challenges due to staff turnover. However, the department was now fully staffed, and there was a constructive work relationship.

The Head of Finance explained that the external valuer used by Watford Borough Council had not provided responses to valuation queries in a timely manner. This had been due to increased demand in the sector and had affected capacity.

Councillor Mark Watkin wanted to thank the team for their work on the 2021/22 audit that was published on time.

RESOLVED –

that the report be noted.

**18 External Auditor update**

The committee received an update from the external auditor, Simon Luk, on the status of the audit. An overview of the areas that had been completed and had been reviewed which included housing benefits and heritage assets. The areas of concern were PPE additions and COVID-19 grants, as there had been a delay in supporting evidence provided to EY. The delay had been due to staff turnover since the 2020/21 accounts had been prepared. An additional issue in regard to the ST and LT creditors' misstatement that had not yet been able to be included in the 2020/21 audit, the posting remained incorrect in the 2020/21 financial year.

There was also an issue with supporting evidence from external specialists or parties with investment property valuations and rental income from Croxley Park Lease, which had led to a delay in the audit. However a timeline had been agreed with management regarding the outstanding queries.

There was a discussion about the complexity of the accounts and the initial issues around Croxley Business Park.

**19 Shared Internal Audit Services (SIAS) Annual Report 2021/22**

The committee received a report of the Head of Assurance for the Shared Internal Audit Service (SIAS), setting out the Annual Report 2021/22. The report provided an overview of the service and its activities.

In response to questions from the Chair, the Head of Assurance explained that the increased spending on consultancy fees with the contracted external delivery partner (currently BDO) had been because of a restructure of the SIAS team and staff turnover. The internal audit work assigned to BDO provided resilience and enabled the internal audit service to continue service delivery despite the disruption. Related one-off pension strain and redundancy costs were financed from the trading reserve.

**20 Shared Internal Audit Service Progress report 2022/23**

The Head of Assurance introduced the report on the SIAS progress 2022/23. He highlighted to the committee the outcomes of the Operational Buildings' Compliance audit that had a Limited Assurance opinion and three medium and four high priority recommendations. Of these, officers had already implemented

three out of the seven recommendations, and those remaining were close to completion. The committee was then directed to page three, which outlined the requested extensions to implementation dates for outstanding internal audit recommendations and those for which no responses had been received from officers. The delivery of the Watford plan had been delayed and was slightly behind profiled delivery. This had been due to four staff vacancies and turnover at SIAS. The allocation of work to the external delivery partner (BDO) and recruitment to some vacant positions had alleviated pressure. It should allow SIAS to meet targets by the end of March 2023 or at least deliver sufficient work to support the annual assurance opinion.

In response to members' questions, the Head of Assurance explained that the increased consultancy costs, i.e. spend with the external delivery partner, were not passed on to Watford Borough Council as it formed part of existing SIAS budgets and included spend from salary savings on the vacant posts. Historically, consultancy costs and salary savings had netted off against one another. SIAS completed approximately 3,500 internal audit days annually across the partnership, and of those, on average, BDO completed 300 to 500. The Head of Assurance also answered questions on the challenges of the internal audit recruitment market. There had been difficulty in the recruitment of experienced members of staff, but had been an issue for local authorities across the UK, both for internal auditors and other staff more generally. Several factors had caused the staffing difficulties, which included people leaving the profession, nearby London authorities and private sector internal audit employers who offered higher pay, and trained accountants returning to Finance for higher salaries.

The Senior Manager Corporate Asset Management (CAM) answered the Operational Buildings' Compliance audit question that had been highlighted to the committee. Compliance was the highest priority, and the updated internal Health and Safety would be taken to the October committee.

RESOLVED –

- the Internal Audit Progress Report for the period to 2 September 2022 be noted.
- the amendments to the Audit Plan as at 2 September 2022 be approved.
- the change to the implementation date for four recommendations (paragraph 2.6) for the reasons set out in Appendix C be agreed.
- the removal of implemented audit recommendations set out in Appendix C be agreed.
- the implementation status of high priority recommendations be noted.

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**Vote of thanks**

The committee and the Portfolio Holder put on record their thanks to Alan Cooper, Client Audit Manager for SIAS who had retired this past summer and had served the Audit committee with skill and dedication. His support to the committee and its predecessors had been invaluable to their success.

Chair

The Meeting started at 7.00 pm  
and finished at 8.05 pm