

Audit Committee Minutes

Date: 30 May 2019

Time: 7.00 - 8.15 pm

PRESENT: Councillor M C Appleyard (in the Chair)

Councillors: R Gaffney, G Hall, M Hanif, A Lee, Ms C Oliver, N Teesdale and R Wilson.

Also Present: D Watson Cabinet Member (Finance & Resources) and Janet Dawson (EY Lead Partner for Govt & Public Sector)

1 APOLOGIES FOR ABSENCE

An apology for absence was received from R Scott

2 MINUTES

RESOLVED: That the minutes of the meeting of the Audit Committee held on 28 February 2019 be confirmed as a true record and signed by the Chairman.

3 DECLARATIONS OF INTEREST

There were no declarations of interest.

4 2018/19 QUARTER 4 FULL YEAR PERFORMANCE OUTTURN

A report was submitted which requested that the Quarter 4 and full year outturn for the council's 12 key performance measures be noted along with the list of results from the 41 corporate performance indicators for the whole year as detailed within the report. The report would also be submitted to Cabinet at its next meeting on 8 July.

The report highlighted that of the 41 key performance indicators regularly monitored by the service, the majority had met the target within +/-5%. Only one indicator had been more than 5% away from the target. It was explained that this had been due to an administrative error whereby some £27000 of advanced receipts had not been carried forward into the current financial year. This would have resulted in a variance against target of less than 3%

It was requested that the summary report be noted. Members agreed that officers should be congratulated on their hard work and on the achievements demonstrated within the Q4 full year performance outturn for 2018/19.

RESOLVED: That the report be noted.

5 ANNUAL HEALTH & SAFETY REPORT 2018-19

Members considered the Annual Health and Safety Report for 2018-19 which requested that the information contained within it be noted. The Council had a duty to comply with the general requirements of the Health and Safety at work Act 1974 including the need to ensure the health, safety and welfare of its employees at work and of those affected by its undertakings.

The report stated that overall performance in this field for the year had followed previous years with a low number of accidents and incidents as indicated in table 2 of the report. It was also highlighted that the Health & Safety management processes had continued to take place on an annual basis which laid out key priority activities to further improve safety and resilience. The report also emphasised the achievements during the year which included on-going training to all levels of staff, continual review and improvement to policies and the introduction of the Bomb Threat and Terrorist Incident Policy, published in June 2018.

Members were informed that it had been a relatively quiet year with no time lost in dealing with accidents and that the council's risk profile remained low. However the ongoing property related risks identified in the previous year continued to be monitored.

RESOLVED: That the report be noted

6 ERNST YOUNG AUDIT PROGRESS REPORT (VERBAL)

The Section 151 officer opened the discussion by providing some background to the situation which had occurred. He stated that there had been no delay in the production of WDC's accounts, which would be published in draft form tomorrow (31st May) as per the deadline. This work had been completed by the Finance Team a day in advance of the required statutory deadline. The draft accounts would now be handed to Ernst Young (EY) for them to conclude their audit work by 31 July 2019.

WDC had been informed by (EY) that they would be unable to complete their audit work by 31st July 2019, due to a lack of qualified resources and they would not be able to conclude the audit until the beginning of October 2019 thereby causing a delay to the publication of our audited accounts by approximately 3 months.

This would cause major issues for the Authority, bearing in mind the increased pressures, upheaval and excessive workloads brought about by the abolition of this Council as of 31 March 2020. Moreover the original and scheduled date of 31 July was preferable for WDC due to a number of reasons. Firstly staff annual leave requests had been authorised to take account of prescheduled auditing dates and the forthcoming school holidays, furthermore there was an increased likelihood of loss of staff due to the unitary reorganisation at this time. In addition, the original date would have been favourable in that the statement of accounts would have been produced and scrutinised at the July Audit Committee meeting, rather than the

revised timeline of the 10 October 2019. The S151 officer also stated that the delay had the potential to cause WDC reputational damage through no fault of its own.

Janet Dawson (EY Lead Partner for Govt & Public Sector) was in attendance to address any questions from Members, and to communicate with its clients regarding EY's challenges.

She commenced by outlining the current position, and the process by which EY had arrived there. Members were informed that the company assessed its workload prior to beginning its budgeting process. It then assessed the numbers of staff required from a team of 240. Unfortunately, they had not anticipated the rate of attrition since the Christmas period. The company was unable to recruit or to pull in sufficiently qualified numbers to lead on the work to be undertaken. The profession as a whole was under intense pressure, affecting colleagues and competitors alike. They had tried to draw in other staff through secondment programmes from abroad and their global network but many were delayed due to issues with visas and work permits. Furthermore to add to the complications, they had been affected by long term sickness at management grade level which had a direct effect on the local regional teams. EY were also looking to increase their graduate and apprentice intake for 19/20 and 20/21 as well as accessing staff who had left the industry.

In conclusion, she expressed with dismay that EY was unable to resource all the work that they were committed to undertaking. However she stated that it had been established that there would be no statutory or legal breach on their part if the audit was not concluded by 31 July, as it was the quality and standard of work which was far more significant. It was anticipated that in accordance with their recruitment plan it would take 18-24 months to rebuild a robust team to assist in the implementation of a smooth audit process which would meet the expected quality standard. The EY recruitment plan was to be shared with Public Sector Audit appointments (PSAA). This was the appointing body for the accountancy firms which undertook the external audit function for public sector bodies.

A number of questions/comments from Members were raised. Had overtime for staff been considered? Had EY told PSAA regarding the situation prior to telling us? When was the anticipated date on which the accounts would be audited? The Member was informed that their staff were already offered overtime, and that PSSA had been informed first as they had already been in discussion with them on other matters. Furthermore he was informed that the audit process was to be completed in September on a date yet to be agreed by EY and the Section 151 officer.

In response the s151 officer stated that he was extremely annoyed and frustrated with the situation which had left his staff feeling let down by events which had been caused by EY taking a commercial decision to loan its staff to the private sector arm, causing this authority to ultimately suffer. Members concurred, stating that we as an authority had to grapple with and to manage staff shortages on a regular basis but this did not change the fact that we were still expected to deliver our services. It was felt that EY had been negligent in not having considered its clients prior to taking its decisions.

Discussion then turned to the form of words that would feature in the required statutory notices which accompanied the published statement of accounts. It was felt that the notices should explain the delay clarifying that it was EY which had not delivered their end of the agreement. EY commented that they would work with the S151 Officer and agree a form of words. EY stated that it was Wycombe's responsibility to answer any questions from the public with regards to the accounts. The issue of compensation was also raised, as was the complaint to the PSAA regards the nature of the decision and the lack of consultation. Members briefly touched upon alternative auditors for the new authority pending 31 March 2020. Grant Thornton being up for consideration. It was felt that it would be beneficial to move to one auditor following unification of the 5 Councils, but this too would have practical implications.

A Member enquired regarding the 2019/20 accounts and how these would be processed. The S151 Officer responded that these would be monitored on an ongoing basis and that contract provisions could be varied. Members could request the PSAA consider using an alternative audit provider. The PSAA would then check the market capacity to establish if this was capable of being delivered. However there was work which would be associated with this process in terms of taking on a new provider. In the meantime, a meeting was to be scheduled with the Committee Chairmen, S151 Officers, EY and PSAA in order to seek some assurances regarding next year's accounts.

The Cabinet Member (Finance & Resources) queried the basis upon which the accounts would be prepared, noting that the 2018/19 accounts were based on the Going Concern Principle. The meeting was informed that this principle would not apply for the forthcoming year.

Ms Dawson was also questioned with regards to the necessary conditions that were required to be met by Wycombe in order that EY could successfully complete the external audit within 3 weeks. She informed Members that EY worked to an audit plan which required access to the draft accounts, access to any supporting information and to relevant staff during that time. In response the S151 Officer re-emphasised that the process would be undertaken at a time of additional competing pressures due to the ongoing modernising Local Government work.

At the close of the questions, the Chairman thanked Ms Dawson for attending.

7 TREASURY MANAGEMENT ANNUAL REPORT 2018/19 & PRUDENTIAL INDICATORS

A report was submitted which outlined the outturn position for treasury activities highlighting compliance with previously approved council policies. Members were requested to note the position for treasury management for 2018/19 and also to refer the report to Cabinet for its consideration at its scheduled meeting on 8 July.

The report stated that the regulatory environment placed responsibility on Members for the review and scrutiny of the Treasury Management Policy. The main areas covered within the Annual report included, capital activity, borrowing, and the overall treasury position and a summary of interest rates.

RESOLVED: That

- (i) the report be noted
- (ii) The report be referred to Cabinet for consideration at its July meeting.

8 DRAFT ANNUAL GOVERNANCE STATEMENT 2018-19 & LOCAL CODE OF GOVERNANCE 2019

A report was considered which stated that the Council was required to review the effectiveness of its system of internal control and publish an annual governance statement with the Annual Statement of Accounts. The statement provided an opportunity to report on the quality of governance arrangements and identify actions to improve those arrangements, in accordance with the guidance issued by CIPFA in 2016.

Members were requested to review and endorse the 2019 Local Code of Governance and the Draft Annual Governance Statement, prior to submission to the Leader of the Council and the Chief Executive for formal sign off subject to the inclusion of an explicit statement highlighting the delay in the production of audited statements of account due to EY resourcing issues.

The draft Statement for the year ending 31 March 2019 was attached at (Appendix A) to the report. The Local Code was attached at (Appendix B) which detailed the way in which the Council had shown due regard to the guidance contained within the framework and how it met the requirements of the Account and Audit regulations 2015.

RESOLVED: That the report be approved and referred to the Chief Executive and Leader of the Council for sign off.

9 PROPOSED INTERNAL AUDIT PROGRAMME 2019/20

A report was submitted which requested that the Proposed Internal Audit programme for 2019/20 as attached at (Appendix A) to the report be agreed and that this be reviewed half yearly and reported upon at meetings of this Committee.

Members were informed that it was incumbent upon the authority to undertake an adequate and effective audit of its accounting records and of its system of internal control. It was highlighted that the programme currently compiled each year reported upon the following areas. (i) Areas of interest from the Chief Executive, section 151 officer and the Strategic Management Board. (ii) Areas of interest or risk as determined by the Business Assurance Manager. (iii) Areas of interest or risk from members of the Audit Committee.

It was brought to Members` attention that 8 core financial reviews and 7 non- core reviews were planned for 2019/20 and that whilst this was a reduction of coverage

as compared to the previous year the council had retained a larger contingency budget to manage any requests for internal audit during the year.

RESOLVED: That

- (i) the Internal Audit Programme for 2019/20 as attached at (Appendix A) to the report be agreed
- (ii) the Internal Audit Programme be reviewed 6 monthly as part of the Business Assurance Manager`s half yearly report.

10 STRATEGIC RISK REGISTER QUARTER 4 MONITORING REPORT

The monitoring report for the Strategic Risk Register for Quarter 4 was presented, and Members were requested to note the relevant information which was attached at (Appendix A) to the report.

The register contained the most significant risks that could have an effect or impact on the delivery of the Council`s Corporate Plan and in doing so damage the Council`s financial standing and its reputation. Risk management formed part of the Council`s approach to effective governance.

It was stated that no new risks had been identified during the reporting period, and that the Strategic Management Board had provided its commentary as regards the content of individually assigned risks.

A Member enquired as to whether WDC shared risks with other Authorities and whether they were common across the board. He was answered in the affirmative, and informed that the risks would be made uniform throughout the 5 authorities following transition to the new unitary council, in order to avoid duplication. As such only one set of risks would be operational throughout.

RESOLVED: That the report be noted.

11 ANNUAL AUDIT & CERTIFICATION FEES 2019/20

A report was submitted which requested that the contents of the Annual Audit and Certification Fees letter 2019/20 be noted. The purpose of the letter was to provide information on the audit and certification work proposed to be undertaken for the current financial year.

Attention was drawn to the reduction in the Housing Benefit Fee charged by Ernst & Young which enhanced the total level of savings made.

RESOLVED: That the report be noted.

12 DRAFT AUDIT COMMITTEE WORK PROGRAMME

The Committee`s draft work programme for the period July – October 2019 was submitted for consideration. It was agreed that the External Auditor`s ISA 260 Audit

Result Report would be moved from the July meeting to the scheduled October meeting of the Committee.

RESOLVED: That

- (i) The report be noted
- (ii) The ISA 260 Audit Result Report be moved to the October meeting.

13 INFORMATION SHEET

The following item was submitted for information.

1/19 (Regulation of Investigatory Powers Act 2000 (RIPA) Annual Report 2019).

Chairman

The following officers were in attendance at the meeting:

Mike Howard	- Business Assurance Manager
David Skinner	- Head of Finance & Commercial
Harriet Baldwin	- Performance & Improvement Officer (item 5)
Marcus Allen	- Facilities Management Partner (item 6)
Iram Malik	- Democratic Services