

THREE RIVERS DISTRICT COUNCIL

AUDIT COMMITTEE

MINUTES

Of a meeting held in the Penn Chamber, Three Rivers House, Rickmansworth on Thursday 29 September 2022 from 7.30pm to 8.35pm.

Members of the Audit Committee:

Tony Humphreys (Chair)
Steve Drury (Vice-Chair)
Ruth Clark
Khalid Hussain
Shanti Maru
Chris Mitchell
Lisa Hudson

Officers: Hannah Doney (Head of Finance)
Phil King (Emergency Planning and Risk Manager)
Mike Simpson (Committee & Web Officer Manager)

Also present: Darren Williams (SIAS)
Simon Luk (EY)
Maria Grindley (EY)

AC13/22 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors Raj Khiroya and Joan King.

AC14/22 MINUTES

The Minutes of the Audit Committee meeting held on 26 July 2022 were confirmed as a correct record by the Committee and signed by the Chair.

AC15/22 NOTICE OF OTHER BUSINESS

The Chair advised that item 6 (External Auditor Audit Plan 2020/21) had not been available 5 clear working days before the meeting but agreed to take as an urgent item so that progress of the Statement of Accounts could continue and that the accounts could be brought to the Committee for consideration as soon as possible.

AC16/22 DECLARATIONS OF INTEREST

There were no declarations of interest.

AC17/22 RISK MANAGEMENT ARRANGEMENTS

The Emergency Planning and Risk Manager introduced the annual report that set out the Council's approach to risk management.

Within the report were four corporate risks, and strategic risks, which are considered by the Policy and Resources Committee, while the Audit Committee is responsible for monitoring operational, finance and budgetary risks.

Scores for service areas for 2022-25 were included in the report.

A Member referenced the strategic risk ST08/09 and asked whether IT and HR was overseen by Watford. The Emergency Planning and Risk Manager replied that both services were, and WBC was expected to feedback the results. When asked how often that happened, the Emergency Planning and Risk Manager said the strategic risk report was produced every six months.

A Member referred to strategic risk ST03 on Climate Change Action Plans and asked where the Community Partnerships service plan could be found. The Emergency Planning and Risk Manager said service plans were separate reports with the responsibility for climate change being with the Executive Head of Service Services and the Climate Change Officer's role reporting to the Head of Community Partnerships.

RESOLVED:

That the Council's risk management arrangements and Risk Registers be noted.

AC18/22 EXTERNAL AUDITOR AUDIT PLAN 2020/21

The External Auditor presented the key aspects of the plan, and highlighted areas of fraud risk, significant risk and inherent risk during the Audit year ending 31 March 2021. It was stated that one new fraud risk involved incorrect capitalisation of revenue expenditure, where income is reported as an asset.

An ongoing significant risk was the incorrect valuation of land and buildings with an inherent risk being the valuation of the Pension Funds and Liabilities which were based largely on estimates.

A new inherent risk was the accounting for Covid-19 which related to Government grants. The External Auditor explained that at the beginning of the Covid-19 contagion grants were distributed in a rush with the Council receiving £1.18 million in grant funding. There was a risk that these grants were not properly accounted for.

Another inherent risk surrounded new areas of high value activity, and the leasing and sub-leasing of property, to be discussed with management with a view to establishing accounting impacts during the following year.

Details of work to be undertaken by the External Auditor (EA) were included in the presentation.

A Member asked why the focus was on the previous year instead of 2021/22. The EA replied that the report gave an overall picture prior to the Audit cut-off, and the high value risks needed to be considered ahead of 2021/22 to ensure they were accounted for properly.

The External Auditor also spoke of Materiality and the Audit Scope, in which EY would provide an audit opinion as to whether the Council's accounts gave a true picture of the financial position as at 31 March 2021, and of the income and expenditure for that year. They were required to draft a commentary regarding the Council's arrangements to secure economy, efficiency and effectiveness, and whether it made effective use of resources, while reporting any weaknesses.

The External Auditor's audit report would be drafted in October and would be brought to the Audit Committee in December.

RESOLVED:

That the External Auditor Audit Plan 2020/21 be noted.

AC19/22

THREE RIVERS DISTRICT COUNCIL AUDIT COMMITTEE PROGRESS REPORT

SIAS presented their standard report which comprised the Internal Audit Plan along with amendments, and status updates of any previously agreed actions. They began with key audit findings, and said item 2.2 relating to Housing allocations was a good outcome.

The summary showed that 21 recommendations were outstanding, and extension dates were requested for four of them. Verbal updates were provided for item for which no response had been given at the time of the report's production.

The Emergency Planning and Risk Manager said online training for Risk Management had been taken down due to a lack of resources but a generic version was available. It was hoped that a Three Rivers version would be available in the near future.

Of three recommendations on Equalities and Diversity – one was since implemented and the other two were on track. No update was available for the Contract Waivers audit. The performance stats were in line with projections.

The Chair asked that an update be provided for the outstanding recommendations as it was important to have them, and the Internal Auditor would follow up.

A Member asked for clarification regarding whether the SIAS Auditor was from Watford, Three Rivers or a consultant. It was advised that SIAS was a partnership that included Hertfordshire County Council and seven Districts and was classed as internal auditors based at County Hall in Hertford.

The Member referred to Appendix 3 and said many recommendations were very old, and asked what could be done to catch up. The Internal Auditor replied that some actions were more complex than others, and target dates sometimes a little ambitious. They would work with management to resolve them but it was important that such issues were advised to the Committee.

The Head of Finance said that two issues still outstanding, one being the Benefits system, some encouraging work had been done and it was hoped that it could soon be closed down. The other was the Property Management system, which was not a straightforward piece of work. The item was kept on the list until implementation, and the Head of Finance was comfortable with where it was.

The Internal Auditor said recommendations can take a long time to conclude – the real focus should be on high priority ones, and the key issue is how risk is being managed while it's still live. The concern was if there is no assurance forthcoming that the risk was being managed.

On being put to the Committee the Chair declared the recommendations CARRIED, the voting being Unanimous.

RESOLVED:

- That the Internal Audit Progress report for the period to 16 September 2022 be noted;
- That the amendments to the Audit Plan as at 16 September 2022 be approved;

- That the changes to the implementation dates for 4 audit recommendations (Paragraph 2.5) for the reasons set out in Appendices 3 to 6 be agreed; and
- That the removal of implemented audit recommendations (Appendices 3 to 6) be agreed.

AC20/22 SIAS BOARD ANNUAL REPORT

The Internal Auditor presented the SIAS Board annual report, which was mostly for information purposes, and provided partners with an update on how SIAS works and what had been achieved.

It was emphasised that it was separate from the annual assurance statement, and was compiled and taken to the SIAS Board and then to all partner Audit Committees.

The report covered the key areas of service delivery, shared learning, and reflected on auditing during the pandemic. It also dealt with personal development, financial performance of SIAS and the next years' service plan.

A Member asked why St Albans and Dacorum were not in the group of partners. The Internal Auditor replied that it was each authority's choice to do as they wish.

The Head of Finance said a benefit of being in the partnership was to be able to access a pool of auditors across the county and gave the Council resilience that it wouldn't otherwise have. The partnership worked for Three Rivers as a model as it allowed access to different skill sets.

RESOLVED:

That the SIAS Board Annual Report be noted.

AC21/22 STATEMENT OF ACCOUNTS UPDATE

The Head of Finance set out the latest position for the finalisation and audit of the Statement of Accounts for 2019/20, 2020/21 and 2021/22, and provided an update on the process to appoint External Auditors for 2023/24 onwards.

Draft accounts for 2021/22 had been published, but there were issues for all local authorities completing their annual accounts on time and only around two thirds of lower tier authorities had met the deadline of 31 July for publication of draft accounts.

Three Rivers had opted into a national appointment scheme for external auditors from 2023/24. The procurement, undertaken by the PSAA had achieved 96.5% capacity. The PSAA had gone back out to market and it is expected that the Council will know in October who the next External Auditors would be from 2023/24.

A Member asked if, because accounts were not signed off, it would it be a problem. The External Auditor said that over the years many Councils didn't get their accounts signed off for reasons commonly understood. The key was to catch up.

A Member said accounts used to have to be signed off in September, but the Government changed it to July, surely there was case for moving back to September. The External Auditor said July was a pre-pandemic deadline and November was now the target to which Councils worked for 2021/22. If Councils were unable to complete their accounts, a statement was required to be posted on the authority's website.

The Head of Finance said that as far as legislation was concerned, the deadline for completion of accounts was still the end of July for 2022/23, and welcomed a return to that date as it would free up staff to work on forward-looking projects.

RESOLVED:

Noted the latest timetable for completion of the external audit of the statement of accounts for 2019/20, 2020/21 and 2021/22.

AC22/22 FINANCIAL AND BUDGETARY RISKS

The Head of Finance reported on the latest position in respect of the evaluation of financial risks facing the Council for discussion and any comments.

Key risks as identified had been included on the risk register. There was an update on the pay award for 2022/23, with a potential 6% increase on the pay roll. The Council expected a roll forward of levels of government funding but plans could be affected by the expected autumn statement.

The Council had cash reserves which provided some resilience, and there was further good news in that the Council now had a fully staffed Finance team.

The Chair said risks were impacted very much by inflation and interest rate increases.

RESOLVED:

The Committee reviewed the risk register, made the comments as detailed in the minute and noted the report on Financial and Budgetary Risks.

AC23/22 COMMITTEE WORK PROGRAMME

The Committee received the work programme. The Head of Finance said a mid-year report on Treasury Management would be forthcoming in December and this would coincide with the committee training on the subject.

The External Auditor referenced work on Housing benefit and said the Council had struggled to meet the reporting requirements of this. It was on the verge of sign-off and an update would come to the December meeting.

A Member asked what time the training would be in future, and was advised 7pm for 30 minutes before each meeting would continue. Documents would be circulated a week prior if possible.

A Member said that the approach of bitesize 30 minute training sessions was perfect, but found the layout of the reports difficult to navigate. It was suggested that an introductory summary of key points be included to the report format. The Head of Finance would take the suggestion away with a view to implementing as the report format is consistent for all committees.

RESOLVED:

That the comments made be noted and the work programme be noted.

CHAIR