

THREE RIVERS DISTRICT COUNCIL

AUDIT COMMITTEE MINUTES

Of a meeting held in the Penn Chamber, Three Rivers House, Rickmansworth on Thursday 08 December 2022 from 7.30pm to pm.

Members of the Audit Committee:

Tony Humphreys (Chair)
Steve Drury (Vice-Chair)
Khalid Hussain
Joan King
Shanti Maru
Chris Mitchell
David Raw (as substitute for Lisa Hudson)
Officers: Hannah Doney (Head of Finance)
Lorna Attwood (Committee Manager)

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

AC24/22 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors Raj Khuroya, Ruth Clark and Lisa Hudson with the substitute for Cllr Hudson being Councillor David Raw.

AC25/22 MINUTES

The Minutes of the Audit Committee meeting held on 29 September 2022 were confirmed as a correct record by the Committee and signed by the Chair.

AC26/22 NOTICE OF ANY OTHER BUSINESS

The Chair advised that item 5 (Statement of Accounts Update) had not been available 5 clear working days before the meeting but agreed to take as an urgent item so that that the accounts could be brought to the Committee for consideration as soon as possible.

AC27/22 DECLARATION OF INTERESTS

There were no declarations of interest.

AC28/22 STATEMENT OF ACCOUNTS UPDATE

The Head of Finance gave an update on the three sets of outstanding accounts. With regards to the 2019/20, the Council was now in a position to ask the Committee to agree to delegate signing off the accounts subject to any final amendments. These had been shared with the External auditors for review and signing was likely to be early 2023. The accounts reflect previous given updates including the prior period of adjustment note as part of seeking delegation of signing the accounts. The Head of Finance advised that delegation would also be sought to sign the draft letter of representation at Appendix 2, should any final changes need to be made.

The external audit of the statement of accounts for 2020/21 was progressing well, this began on 17 October and samples should be received shortly. It was hoped that these accounts could come to the March Committee for signing. It may be possible to

arrange an additional Committee in order to sign sooner which would assist with moving forward with the 2021/22 Audit work.

It was hoped that the external audit of the statement of accounts 2021/22 would be ready to commence in February but that would depend on the previous year's audit progress.

In response to a question from a Member it was clarified that it was the external audit that was being referred to, and EY's assistance in enabling progress to be made was appreciated.

The Head of Finance said the Council had signed up to the national scheme for the appointment of external auditors from 2023/24 run by the PSAA. As a result of the procurement contracts had been awarded to six suppliers. It was expected that Azets Audit Services would be appointed as the new external auditors for the Council for 2023-24 to 2026/27, a decision made by the PSAA.

A Member asked how the transition from external auditors EY to Azets would be achieved within the permitted timeframe. The Head of Finance replied that the deadlines for the 2022/23 accounts were likely to be extended as so many local authorities were behind with the publishing of their accounts which could complicate the transition. The challenge of preparing and auditing four sets of accounts by next December was not inconsiderable, but the team was fully staffed and the relationship with EY was good, and it was hoped that the challenge would be met.

RESOLVED:

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

AC29/22 EXTERNAL AUDITOR UPDATE

SL (EY) said the 2019/20 accounts were received earlier this week and it was hoped to sign them off in the first quarter. The audit of Accounts for 2020/21 was started in October and good progress had been made in spite of some difficulties getting the required sample listings. These were more or less resolved, and it was expected that this audit would also be completed by the first quarter of 2023.

The Head of Finance said some of the difficulties experienced were the result of some required adjustments relating to the 2019/20 accounts, both manual and on the system.

RESOLVED:

That the external Auditors' update be noted.

AC30/22 THREE RIVERS DISTRICT COUNCIL AUDIT COMMITTEE PROGRESS REPORT

DW provided a summary of the report, and said a key point was that it was unlikely that the project delivery target of 95% for the draft report would be achieved by 31 March 2023 but was hopeful the report on the adequacy of internal control might be completed by April.

The final point related to the appendices which comprised 34 pages. DW asked whether Committee Members were happy with the current format or if they believed a truncated version would be preferable.

A Member agreed that the number of pages should be reduced. The Member referenced Page 4 item 2.8 (Client Satisfaction) and asked who the surveys were sent

to as the resulting answers were based on two responses and therefore not representative. DW said the survey was sent at the end of the audit process and as a consequence very few replies were ever received. The matter had been raised to the SIAS board with a view to producing a more accurate measure of client satisfaction.

The Head of Finance provided an update on the Benefits Audit. Although the 30 November 2022 deadline wasn't quite achieved, the module went live yesterday and will be reported as having been completed at the next committee.

A Member asked about the staffing situation at SIAS, to which DW replied the type of audit work was niche, and was in competition with the private sector, where salaries were higher. SIAS struggled more with retaining more senior personnel and at client audit levels and was currently recruiting. To mitigate, SIAS had appointed two external partners to deliver audit during Q4.

May have to think about the future structure.

In response to a question from a Member, the Head of Finance said Committee Members were provided with access to confidential reports to read as they wished.

RESOLVED:

- That the Internal Audit Progress Report for the period to 25 November 2022 be noted;
- That the changes to the implementation dates for 8 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.

AC31/22

TREASURY MANAGEMENT MID-YEAR REPORT 2022/23

The Head of Finance Annual introduced the item which covered the midterm review to 30 September 2022. The report was based on the financial situation in September 2022, since when markets had changed dramatically on a global level. The economic context had moved on, a consequence of which being that capital financing requirements were expected to be higher than forecast. The Head of Finance explained the Council's strategy on borrowing and spending and said borrowing would be limited at the present time due to volatile interest rates. The Council was overachieving on its income budget and also underspending on interest payables year to date.

A Member asked whether the Council's investments were flexible given the present market volatility, and whether they be moved at short notice if necessary. The Head of Finance replied that deposits lodged with the DMO were due to expire within 12 months and could either be rolled over or reinvested elsewhere. Sums lodged with external fund managers are usually intended to be long-term, invested money could be accessed with three days' notice. Generally all investments are fairly liquid. The Council's most effective strategy was to limit the level of cash held and reduce borrowing.

A Member asked about financial exposure to pension funds. The Head of Finance replied that the pension fund had a final valuation process which is used to determine the employer contribution rate. The fund was in deficit but had now recovered which removed the need for an increase in employer contributions. A Member spoke in support of the HCC pension fund committee which was very informed and succeeded in making up the deficit.

RESOLVED:

That the Treasury Management report be noted.

AC32/22

DRAFT TREASURY MANAGEMENT STRATEGY STATEMENT 2023/24

The Head of Finance apologised for the incorrect numbering of the appendices.

The statement had been reviewed, and no significant changes were deemed necessary other than to remove reference to negative interest rates which was unlikely to be relevant for 2023/24. It was believed that the right tools were available to manage the strategy.

The Head of Finance acknowledged that Members may not have had sufficient time to digest the contents of the statement, and questions by email were welcome.

RESOLVED:

That the strategy statement be noted.

AC33/22

FINANCIAL AND BUDGETARY RISKS

The Head of Finance said there was very little change this month to the risk appendix. Fee income wasn't a problem but the cost of delivery of services had increased, and the raising of fees and charges from 1 January 2023 was expected to address the issue.

The Chair noted that fluctuations in business rate retention showed as being postponed until 2022/23 which was now very close and asked whether the impact was being assessed. The Head of Finance replied that it was expected 2023/24 would see little change but the Council was dependent on the Local Government Finance Settlement which had not yet been confirmed. Local Government funding reform was always on the horizon, and this year was no different.

A Member asked how confident the Head of Finance was that the team possessed the required resources to deal with the challenges ahead. The Head of Finance replied that a good, incentivised team was in place which was up to the task, and confidence was high that the team would deliver.

The Member asked about the risks concerning the South Oxhey regeneration. The Head of Finance replied that phase 3 of the project was nearing its conclusion and there were few financial commitments remaining. There were still some risks regarding ground rents but it was a relatively small amount.

A Member said more detail of risks should be available in the form of an extra column in which an explanation could be made available.

A Member asked whether there was a list of priorities in the event that financial cuts be required. The Head of Finance replied that the budget was reassessed throughout the year and was therefore an ongoing piece of work. The implementation of the increase in fees and charges would greatly assist the Council to address financial challenges.

A Member quoted Michael Gove, Secretary of State for Levelling Up, Housing and Communities, as saying Councils would receive increased revenue from planning applications, and that retrospective applications would be charged at double the exiting rate. This was to be applauded, but time would tell whether it would come to fruition.

The Head of Finance referred back to the point about an extra column for risk details, and would take the suggestion away with a view to updating the current template format ahead of the next meeting.

The Chair asked that anyone who had ideas for items to be included on the Risk Register to email them to the Head of Finance.

RESOLVED:

That the Financial and Budgetary Risks report be noted.

AC34/21

COMMITTEE WORK PROGRAMME

DW suggested the Members of the Committee might benefit from training prior to the March meeting relating to the Internal Audit Plan and its processes, including the role of the Committee.

It was suggested that prior to the July meeting at which the SIAS annual Audit Executive report would be presented, some relevant training might be considered worthwhile.

The Chair asked Members of the Committee to think about what training topics they would like to receive.

RESOLVED:

That the comments be noted and the work programme agreed.

CHAIR