

# AUDIT COMMITTEE

## NOTICE AND AGENDA

For a meeting to be held at Three Rivers House, Northway, Rickmansworth, WD3 1RL on Tuesday 28 March 2023 at 7.30pm.

Members of the Audit Committee:-

Councillors:

Tony Humphreys (Chair)  
Steve Drury (Vice Chair)  
Ruth Clark  
Lisa Hudson  
Joan King

Khalid Hussain  
Raj Khiroya  
Shanti Maru  
Chris Mitchell

*Joanne Wagstaffe, Chief Executive  
20 March 2023*

The Council welcomes contributions from Members of the public to its discussion on agenda items at Committee meetings. Contributions will be limited to one person speaking for and one against each item for not more than three minutes.

Please note that in the event of registering your interest to speak on an agenda item but not taking up that right because the item is deferred, you will automatically be given the right to speak on the item at that next meeting of the Committee. Details of the procedure are provided below:

Members of the public wishing to speak will be entitled to register and identify which report they wish to speak on from the published agenda for the meeting. Those who wish to register to speak can arrive from 7pm on the night of the meeting and up to shortly before the meeting. The Council Constitution allows for one person to speak for an item and one person to speak against for up to 3 minutes.

Anyone wishing to observe the meeting can arrive from 7pm on the night of the meeting of the meeting.

In accordance with The Openness of Local Government Bodies Regulations 2014 any matters considered under Part 1 business only of the meeting may be filmed, recorded, photographed, broadcast or reported via social media by any person.

Recording and reporting the Council's meetings is subject to the law and it is the responsibility of those doing the recording and reporting to ensure compliance. This will include the Human Rights Act, the Data Protection Act and the laws of libel and defamation.

- 1. APOLOGIES FOR ABSENCE**
- 2. MINUTES**

To confirm as a correct record the minutes of the Audit Committee meeting held on Thursday 8 December 2022.

**3. NOTICE OF OTHER BUSINESS**

Items of other business notified under Council Procedure Rule 30 to be announced together with special circumstances that justify their consideration as a matter of urgency. The Chair to rule on the admission of such items.

**4. DECLARATION OF INTERESTS**

To receive any declarations of interest.

**5. STATEMENT OF ACCOUNTS UPDATE**

This report provides an update on progress towards concluding the audits for 2019/20, 2021/21 and 2021/22 and sets out the outline timetable for completion of the 2022/23 draft statement of accounts.

(Pages 5  
- 26)

**6. UPDATE FROM EXTERNAL AUDITORS**

Verbal update from the external auditors.

**7. SIAS THREE RIVERS DISTRICT COUNCIL AUDIT COMMITTEE  
INTERNAL AUDIT PROGRESS REPORT 2022/23**

(Pages  
27 - 58)

Members are recommended to:

- Note the Internal Audit Progress Report for the period to 17 March 2023
- Approve amendments to the Audit Plan as at 17 March 2023
- Agree changes to the implementation dates for 5 audit recommendations (paragraph 2.5) for the reasons set out in Appendices 3 to 7
- Agree removal of implemented audit recommendations (Appendices 3 to 7)

**8. SIAS INTERNAL AUDIT PLANS 2023/24**

Members are recommended to approve the proposed 2023/24 Three Rivers District Council and Shared Services Internal Audit Plans.

(Pages  
59 - 80)

**9. FINANCIAL AND BUDGETARY RISKS**

This report advises the Committee on the latest position in respect of the evaluation of financial risks facing the Council for discussion and any recommendations or comments they wish to make.

(Pages  
81 - 86)

**10. COMMITTEE WORK PROGRAMME**

To receive the Committee's work programme

(Pages  
87 - 90)

**11. ANY OTHER BUSINESS**

**12. EXCLUSION OF THE PRESS AND PUBLIC**

If any confidential business is approved under item 3, it will also be necessary to specify the class of exempt or confidential information in the additional item(s) and a resolution to be passed in the following terms

“that under Section 100A (4) of the Local Government Act 1972, the press and public be excluded from the meeting for the following item(s) of business on the grounds that they involve the likely disclosure of exempt information as defined under the respective paragraphs 1 to 7 of Part 1 of Schedule 12A to the Act”.

**13. OTHER BUSINESS - if approved under item 3 above**

**General Enquiries: Please contact the Committee Team at**  
[committeeteam@threerivers.gov.uk](mailto:committeeteam@threerivers.gov.uk)

## AUDIT COMMITTEE – 28 MARCH 2023

### PART I – DELEGATED

#### 5. STATEMENT OF ACCOUNTS UPDATE (DoF)

##### 1 Summary

1.1 This report sets out the latest position for external audit of the Statement of Accounts for 2019/20, 2020/21 and 2021/22 and the timetable for the 2022/23 Statement of Accounts.

##### 2 Detail

##### 2.1 Statement of Accounts 2019/20

2.1.1 Progress continues to be made towards concluding the 2019/20 audit. The internal reviews completed by the external auditors, Ernst Young (EY), identified requirements for additional sampling and follow up queries in relation to areas which were previously thought to be concluded. These issues have arisen due to the time taken to conclude the audit and changes in the audit team.

##### 2.2 Statement of Accounts 2020/21

2.2.1 Progress towards concluding the audit has been slower than expected as a result of the continued focus of both the external auditors and the finance team on finalising the 2019/20 audit.

2.2.2 The audit is now expected to conclude by the end of April with signing of the accounts in May. An update from the external auditors is elsewhere on the agenda.

##### 2.3 Statement of Accounts 2021/22

2.3.1 The draft Statement of Accounts 2021/22 was authorised for issue by the Director of Finance and [published on the Council's website](#) on 31 July 2022 in line with the statutory timeframe. The period of public inspection ran from 1 August to 12 September 2022.

2.3.2 It is anticipated that the audit of the 2021/22 accounts will commence in July 2023. The gap between the expected conclusion of the 2020/21 audit at the end of April 2023 and the start of the 2021/22 in July is necessary for three reasons. Firstly, there is insufficient external audit resource available during this period due to the local authority audit team working on NHS audits. Secondly, the accounting team will be preparing a revised draft of the 2021/22 accounts, taking in account adjustments agreed in relation to 2019/20 and 2020/21. Thirdly, the accounting team will be preparing draft 2022/23 accounts in line with the timetable set out below.

##### 2.4 Statement of Accounts 2022/23

2.4.1 The extensions to the statutory timetable for publication of the draft accounts which were agreed for the 2020/21 and 2021/22 accounts have not been extended to 2022/23. This means that the timetable reverts to that set out in the Accounts and Audit Regulations 2015. This requires that the draft statement of accounts is

authorised for issue by the 31 May 2023 and the 30 day period for the exercise of public rights must commence by 1 June 2023. The Annual Governance Statement (AGS) must also be approved by 31 May 2023 and published alongside the draft accounts for the period for the exercise of public rights.

- 2.4.2 The Accounts and Audit Regulations (Amended) 2022 established a deadline of 31 September for the publication of audited accounts for six years from 2022/23, extended from 31 July.
- 2.4.3 It will not be possible to meet the deadline of 30 September for the publication of the audited accounts due to the expected timeline for the 2021/22 audit. However, the statutory deadline for publishing the draft accounts and AGS by 31 May 2023 will be met.
- 2.4.4 This timetable will necessitate the Audit Committee meeting in May to approve the AGS and note the draft accounts for 2022/23.
- 2.4.5 This will also provide an opportunity for the Audit Committee to approve the final audited accounts for 2020/21, receive the Auditor's Audit Results Report for 2020/21.
- 2.4.6 It is likely that a significant number of Councils will miss the statutory deadline to issue draft accounts and for the publication of final audited accounts for 2022/23. In January 2023, the National Audit Office (NAO) issued a progress update report on the timeliness of local auditor reporting on local government in England. The statistics quoted in the report are stark, including that only 9% of 2020/21 audits and 12% of 2021/22 audits were completed by the extended statutory deadlines.
- 2.4.7 The Local Government Association (LGA) has issued a response to the report calling on the Government to 'set out a detailed timetable by which it expects to restore timely audited accounts.' The statement also recognised that Councils will be 'under greater pressure' to finalise draft accounts if the deadline reverts to 31 May 2023 as currently proposed by the Department for Levelling Up, Housing and Communities (DLUHC).
- 2.4.8 Following the release of the report, DLUHC issued a survey which closed on 2 March seeking views from the sector on the adverse consequences of retaining the current timetable. The outcome of this is not yet known. If an extension is granted the current timetable will be reviewed.

## **2.5 Accounting Policies 2022/23**

- 2.5.1 The Council's Statement of Accounts is prepared in accordance the Code of Practice on Local Authority Accounting in the United Kingdom (the Code). The Council is required to adopt accounting policies which describe how the Council has interpreted and applied the Code.
- 2.5.2 The Code defines Accounting Policies as 'the specific principles, bases, conventions, rules and practices applied by an authority in preparing and presenting financial statements.'
- 2.5.3 The significant accounting policies adopted by the Council are disclosed within note 1 to the Core Financial Statements in the Statement of Accounts, 'Accounting Policies – Single Entity and Group Accounts'.

- 2.5.4 The Code prescribes that ‘authorities shall apply the objective, underlying assumption and qualitative characteristics of useful financial information, in the selection and application of accounting policies and estimation techniques.’
- 2.5.5 The Code provides a detailed framework within which accounting policies must be set:
- When the Code specifically applies to a transaction, other event or condition, the accounting policy or policies applied to that item shall be determined by applying the Code. Those policies need not be applied when the effect of applying them is immaterial.
  - Where the Code does not specifically apply to a transaction, other event or condition, management shall use its judgement in developing and applying an accounting policy that results in information that is:
    - a) relevant to the decision-making needs of users, and
    - b) reliable, in that the financial statements:
      - i) represent faithfully the financial position, financial performance and cash flows of the authority
      - ii) reflect the economic substance of transactions, other events and conditions and not merely the legal form
      - iii) are neutral, i.e. free from bias
      - iv) are prudent, and
      - v) are complete in all material respects.
  - In making the judgement management shall refer to, and consider the applicability of, the Code requirements dealing with similar and related issues. Management may also consider the most recent pronouncements of standard-setting bodies and accepted public or private sector practices to the extent, but only to the extent, that these do not conflict with the requirements of the Code.
  - An authority shall select and apply its accounting policies consistently for similar transactions, other events and conditions, unless the Code specifically requires or permits different treatment.
  - An authority shall change an accounting policy only if the change is required by the Code or results in the financial statements providing reliable and more relevant information about the effects of transactions, other events and conditions on the authority’s financial position, financial performance or cash flows.
  - Where an authority changes an accounting policy, it shall apply the changes retrospectively unless the Code specifies transitional provisions that shall be followed. A change in accounting policy shall be applied retrospectively by adjusting the opening balance of each affected component of net worth for the earliest period presented and the other comparative amounts disclosed for each prior period presented as if the new accounting policy had always been applied, except to the extent that it is impracticable to so do. Approval of Accounting Policies
- 2.5.6 The code states that the Chief Finance Officer is responsible for selecting ‘suitable’ accounting policies and ensuring that they are applied consistently in the preparation of the statement of accounts. The Chief Finance Officer (Director of Finance) has

approved Note 1. Accounting Policies for 2022/23 as set out in Appendix 1. All significant accounting policies have been selected with reference to the Code.

2.5.7 The Council's auditors will review the adopted accounting policies as part of the audit of the statement of accounts. There is also an expectation that the auditors will be able to evidence that the accounting policies have been approved by the Audit Committee in its capacity as 'Those Charged with Governance'. The Audit Committee is therefore asked to ratify the accounting policies as set out in Appendix 1.

2.5.8 The Accounting Policies have been updated to reflect the latest statutory guidance and to incorporate policies for the preparation of Group Accounts at paragraph 2.22. Updates include updating the definition of Investment Property at paragraph 2.11 to specifically exclude assets held for the purposes of community benefit and economic development and regeneration.

## **2.6 Appointment of External Auditors from 2023/24 to 2027/28**

2.6.1 It was reported to the Committee in December that the Public Sector Audit Appointments Limited (PSAA) had proposed Azets Audit Services as the auditor for the Council for 2023/24 to 2027/28. This appointment was confirmed by the PSAA in December 2022.

## **3 Policy/Budget Reference and Implications**

3.1 The recommendations in this report are within the Council's agreed policy and budgets.

## **4 Financial, Legal, Equal Opportunities, Staffing, Environmental, Community Safety, Public Health, Customer Services Centre, Communications & Website, Risk Management and Health & Safety Implications**

4.1 None specific.

## **5 Recommendation**

### **The Audit Committee is recommended to:**

- Note the latest timetable for completion of the external audit of the statement of accounts for 2019/20, 2020/21 and 2021/22.
- To note the timetable for the 2022/23 Draft Statement of Accounts and Annual Governance Statement.
- To ratify the Accounting Policies for 2022/23 as approved by the Director of Finance as set out in Appendix 1.

Report prepared by: Hannah Doney, Head of Finance

### **Data Quality**

Data sources: None used in the preparation of the report

### **Background Papers**

Statement of Accounts report to Audit Committee December 2022

### **APPENDICES / ATTACHMENTS**

Appendix 1 – Accounting Policies 2022/23

## **2 Accounting Policies**

### **2.1 General Principles**

The Statement of Accounts summarises the Council's transactions for the 2022/23 financial year and its position at the year end of 31 March 2023. The Council is required to prepare an annual Statement of Accounts by The Accounts and Audit (England) Regulations 2015, which require these to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the Code). The Code prescribes guidance on the preparation of the Statement of Accounts, supported by International Financial Reporting Standards (IFRS) (and statutory guidance issued under section 12 of the 2003 Act). The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments. The Statement of Accounts has been prepared on a 'going concern' basis.

### **2.2 Accruals of Income and Expenditure**

**Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:**

- revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council
- revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council
- supplies are recorded as expenditure when they are consumed — where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet
- expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made
- interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument, rather than the cash flows fixed or determined by the contract
- Where revenue and expenditure have been recognised, but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

## **2.3 Cash and Cash Equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management. The Council has no overdraft facility.

## **2.4 Prior Period Adjustments, Changes in Accounting Policies, and Estimates and Errors**

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period, as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period. [IF APPLICABLE] See Note 4 for an outline of PPA's within this set of accounts.

## **2.5 Charges to Revenue for Long Term Assets**

Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year:-

- depreciation attributable to the assets used by the relevant service;
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off; and
- amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. These entries are adjusted through the Movement in Reserves Statement (MIRS).



## **2.6 Employee Benefits**

### **Benefits Payable During Employment**

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council.

An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the MIRS so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

### **Termination Benefits**

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Non-Distributed Costs line in the Comprehensive Income and Expenditure Statement (**CIES**) when the Council is demonstrably committed to the termination of the employment of an officer, or group of officers, or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the MIRS, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

### **Post-Employment Benefits**

Employees of the Council are members of the Local Government Pension Scheme, administered by Hertfordshire County Council. The scheme provided defined benefits to members (retirement lump sums and pensions), earned as employees who worked for the Council. The schemes arrangements are summarised as follows:-

#### **The Local Government Pension Scheme**

The Local Government Scheme is accounted for as a defined benefits pension scheme:

- the liabilities of Hertfordshire County Council Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about

mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees;

- liabilities are discounted to their value at current prices, using a discount rate of 3.6%-3.8% (based on the indicative rate of return on high quality corporate bonds); and
- the assets of Hertfordshire County Council (HCC) Pension Fund attributable to the Council are included in the Balance Sheet at their bid value as required by International Accounting Standard (IAS) 19. Full details of the assets held by the Fund are disclosed as part of the Pension scheme disclosure.

**The change in the net pension liability is analysed into seven components:**

- current service cost — the increase in liabilities as a result of years of service earned this year — allocated in the CIES to the services for which the employees worked;
- past service cost — the increase in liabilities arising from current year decisions which relate to years of service earned in earlier years — debited to the Surplus or Deficit on the Provision of Services in the CIES as part of Non-Distributed Costs;
- interest cost — the expected increase in the present value of liabilities during the year as they move one year closer to being paid — debited to the Financing and Investment Income and Expenditure line in the CIES;
- expected return on assets — the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return credited to the Financing and Investment Income and Expenditure line in the CIES;
- gains or losses on settlements and curtailments — the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees — debited or credited to the Surplus or Deficit on the Provision of Services in the CIES as part of Non-Distributed Costs
- actuarial gains and losses — changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions — credited to the Comprehensive income and expenditure - Other Comprehensive Income and Expenditure line and reversed through the Movement in Reserves to the Pensions Reserve; and
- contributions paid to the HCC pension fund — cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense in the CIES.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the MIRS this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the

beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows, rather than as benefits earned by employees.

### **Discretionary Benefits**

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

## **2.7 Financial Instruments**

### **Financial Liabilities**

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost.

### **Financial Assets - Loans and Receivables**

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. The authority's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

### **Financial Assets Measured at Amortised Cost**

Financial assets measured at amortised cost are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the CIES for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for Statements the instrument. For most of the financial assets held by the authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

Any gains and losses that arise on de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

### **Expected Credit Loss Model**

The authority recognises expected credit losses on all of its material financial assets held at amortised cost [or where relevant FVOCI], either on a 12-month or lifetime basis. The expected credit loss model also applies to material lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the authority.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial

part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

The Expected Credit Loss Model is not applied to debts related to Council Tax and Non Domestic Rates.

### **Financial Assets Measured at Fair Value through Profit of Loss (FVPL)**

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

- instruments with quoted market prices –the market price; and
- other instruments with fixed and determinable payments –discounted cash flow analysis.

## **2.8 Government Grants and Contributions**

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- the Council will comply with the conditions of the payment; and
- the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the CIES until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the CIES.

Where capital grants are credited to the CIES, they are reversed out of the General Fund Balance in the MIRS. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

## **2.9 Intangible Assets**

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) is capitalised when it is

expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the CIES.

An asset is tested for impairment whenever there is an indication that the asset might be impaired — any losses recognised are posted to the relevant service line(s) in the CIES. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the CIES.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the MIRS and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

Where there is intangible asset expenditure of an immaterial nature, the Council's policy is that these be capitalised and then written off in-year.

## **2.10 Inventories and Long Term Contracts**

Inventories are included in the Balance Sheet at the lower of cost or net realisable value.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

## **2.11 Investment Property**

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services, for the provision of community benefit, for the purpose of economic development and regeneration, production of goods, or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the CIES. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the MIRS and posted to the Capital Adjustment Account and the Capital Receipts Reserve.

## **2.12 Leases**

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

### ***The Council as Lessee***

#### **Finance Leases**

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

#### **Lease payments are apportioned between:-**

- a charge for the acquisition of the interest in the property, plant or equipment — applied to write down the lease liability; and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the CIES).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the MIRS.

### **Operating Leases**

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

*The Council as Lessor*

### **Finance Leases**

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment, or Assets Held for Sale) is written off to the Other Operating Expenditure line in the CIES as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the CIES also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

#### **Lease rentals receivable are apportioned between:**

- a charge for the acquisition of the interest in the property — applied to write down the lease debtor (together with any premiums received); and
- finance income (credited to the Financing and Investment Income and Expenditure line in the CIES).

The gain credited to the CIES on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the MIRS. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the MIRS. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the MIRS.

## Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the CIES. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

### **2.13 Overheads and Support Services**

The costs of overheads and support services are not charged to those service segments that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2016/17 (SERCOP).

However, the costs of overheads and support services are accounted for as separate headings in the CIES.

### **2.14 Property, Plant and Equipment**

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

#### Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

#### Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the CIES,



unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account.

Where gains are credited to the CIES, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the MIRS.

It should be noted that at present the Council has no donated assets.

Assets are then carried in the Balance Sheet using the following measurement bases:

- Infrastructure, community assets and assets under construction — depreciated historical
- All other assets — fair value, determined as the amount that would be paid for the asset in its existing use (Existing Use Value — EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. In addition, should current valuations of a similar class of asset suggest material differences in valuations, the entire class to which the asset belongs would be revalued. The current valuers have undertaken a market review of individual asset types within the Council's portfolio at year end to identify any material changes to the fair value of assets. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the CIES where they arise from the reversal of a loss previously charged to a service.

**When decreases in value are identified:**

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains); or
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the CIES.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

**Impairment**

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

### **When impairment losses are identified:**

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains), or
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the CIES.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the CIES, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

### **Depreciation**

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

### **Depreciation is calculated on the following bases:-**

- Buildings — straight-line allocation over the useful life of the asset as estimated by the valuer - up to 70 years;
- Vehicles — straight-line over the estimated life of the asset - up to 20 years;
- Plant, furniture and equipment — straight-line over the estimated life of the asset - up to 20 years;
- Infrastructure — straight-line over the estimated life of the asset - up to 25 years; and
- Finance leases — over the life on the underlying asset or over the life of the lease where there is no option to acquire the asset at the end of the lease.

Please note, to ensure consistency across the Councils policies, the previous accounting policy of depreciating some plant, furniture and equipment has been changed from reducing balance to straight-line. This now means all Councils assets if depreciated are depreciated based on a straight-line basis. The impact was immaterial.

Depreciation commences in the year following acquisition.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated **separately**, in order to ensure the depreciation charge is realistic.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

## **Disposals of Non-current Assets**

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the CIES as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the CIES also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

**Amounts received for a disposal in excess of £10,000 are categorised as capital receipts.**

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

## **Construction Contracts**

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date. This is normally measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred where it is probable they will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

## **2.15 Heritage Assets**

Heritage Assets are held with the objective of increasing knowledge, understanding and the appreciation of the Council's history and local area. Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant and equipment. However, some of the measurement rules have been simplified in relation to heritage assets as detailed below.

The Heritage Assets are relatively static and acquisitions, donations and disposals are rare. Where acquisitions do occur, they are initially recognised at cost and donations are recognised at valuation ascertained by insurance officers, museum curators or external valuers. Proceeds from the disposal of Heritage Assets are accounted for in accordance with the Council's general policies relating to the disposals of property, plant and equipment. The Council has a rolling programme of major repair and restoration of its heritage assets and therefore the assets are deemed to have indefinite lives and the Council does not consider it necessary to charge depreciation.

The Council's collection of Heritage Assets, which includes works of art, musical equipment, sculptures, statues, war memorials and civic regalia, are reported at insurance valuations, which are based on market values, internal or external valuations. These insurance valuations are reviewed and updated on an annual basis. The carrying amounts of heritage assets are reviewed where there is evidence of impairment or where an item has suffered physical deterioration or breakage. Any impairment is recognised and measured in accordance with the Council's general policy on impairment.

## **2.16 Provisions, Contingent Liabilities and Contingent Assets**

### **Provisions**

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the CIES in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year — where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

The level of provisions is reviewed annually by the Council.

### **Contingent Liabilities**

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

### **Contingent Assets**

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

## **2.17 Reserves**

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the MIRS. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the CIES. The reserve is then appropriated back into the General Fund Balance in the MIRS so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Council — these reserves are explained in the relevant policies.

## **2.18 Revenue Expenditure Funded from Capital under Statute**

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the CIES in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the MIRS from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

## **2.19 Value Added Tax (VAT)**

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

## **2.20 Jointly Controlled Operations and Jointly Controlled Assets**

Jointly controlled operations are activities undertaken by the Council in conjunction with other organisations, that involve the use of assets and resources of the Council and organisations without the establishment of a separate legal entity.

The Council recognises the assets and liabilities it controls on the Council's balance sheet. Expenditure incurred by the Council and income it earns from the operation is included in the Council's CIES.

Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Council and other organisations. The assets being used to obtain benefit to the Council and organisations. The arrangement does not involve the formation of a legal entity.

The Council accounts for only its share of jointly controlled assets, liabilities and expenses incurred in respect of its interest in the arrangement.

An agreement exists between Dacorum Borough Council, Hertsmere Borough Council, St Albans City & District Council, Three Rivers District Council and Watford Borough Council to constitute a West Herts Crematorium Joint Committee under the Local Government Act 2000.

The Joint Committee has one member from each of the constituent Councils. One Watford Councillor represents the Council on the Joint Committee. The Council's Managing Director is the Clerk to the Joint Committee. Three Rivers District Council provide the Treasurer.

## **2.21 Single Entity Financial Statements**

The financial statements presented by a parent, an investor in an associate or a venturer in a joint venture (jointly controlled entity) in which the investments are accounted for on the basis of the direct equity interest (i.e. at cost) rather than on the basis of the reported results and net assets of the investees. In the context of the Code, an Authority's single entity financial statements are deemed to be separate financial statements.

## **2.22 Group Accounts are the financial statements of an entity together with:-**

- its subsidiary undertakings,
- its investments in associates, and
- its interests in joint ventures (jointly controlled entities); presented as a single economic entity.

Subsidiary undertakings are accounted for in accordance with the implementation of IAS27 (International Accounting Standard 27) in the 2019/20 Code. The 2019/20 Code requires consolidation of subsidiaries. Consolidation is a method of accounting whereby an entity combines the financial statements of the parent and its subsidiaries line by line by adding together like items of assets, liabilities, reserves, income and expenses. In order that the consolidated financial statements present financial information about the group as that of a single economic entity, the following steps are then taken:-

- the carrying amount of the parent's investment in each subsidiary and the parent's portion of reserves of each subsidiary are eliminated;
- any non-controlling interest is identified and separately disclosed;
- intragroup balances and transactions, including income, expenses and dividends, are eliminated in full.

Investments in associates are accounted for in accordance with the implementation of IAS28 in the Code. The Code requires the consolidation of an entity's interest in associates. Joint ventures are accounted for in accordance with the implementation of IFRS 11 in the Code. The Code requires use of the "equity method" of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post acquisition change in the investor's share of the net assets of the investee. The profit or loss of the investor includes the investor's share of the profit or loss of the investee.

## **Turnover (for Group Accounts)**

Turnover in respect of property development is recognised on unconditional exchange of contracts on disposals of finished developments.

Where construction of pre-sold developments is under-taken, the revenue and profits are recognised in accordance with IFRIC 15. Revenue is determined by independently certified milestones.

## **Taxation (for Group Accounts)**

Taxation on all profits is solely the personal liability of individual members. Consequently, neither taxation nor related deferred taxation arising in respect of Three Rivers Homes LLP or Three Rivers Homes Ltd are accounted for in these financial statements.

## **Subscription and Repayment of Members' Capital (for Group Accounts)**

The capital requirements of the LLP are reviewed from time to time by the Board and further capital contributions may be made at the discretion of the members. No interest is charged on capital except pursuant to a dissolution, no capital can be withdrawn by a member unless agreed by all members.

## **Allocation of Profits and Drawings (for Group Accounts)**

The allocation of profits to those who were members during the financial period occurs following the finalisation of the annual financial statements.

The allocation of profits between members is determined by entitlements outlined in the Members' Agreement and is dependent on certain profit criteria being achieved. In accordance with the SORP as a consequence of the LLPs profits being automatically divided in line with the entitlements outlined in the Members' Agreement these profits are treated as an expense in the profit and loss account.

## **Work in progress (for Group Accounts)**

Development land and work in progress is included at cost less any losses foreseen in completing and disposing of the development less any amounts received or receivable as progress payments or part disposals. Where a property is being developed, cost includes cost of acquisition and development to date, including directly attributable fees, expenses and finance charges net of rental or other income attributable to the development. Where development property is not being actively developed, net rental income and finance costs are taken to the profit and loss account.

## **2.23 Fair Value**

The Council measures some of its non-financial assets, such as surplus assets and investment properties, at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between

market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The Council measures the fair value of an asset or liability on the same basis that market participants would use when pricing the asset or liability (assuming those market participants were acting in their economic best interest).

When measuring the fair value of a non-financial asset, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Council uses appropriate valuation techniques for each circumstance, maximising the use of relevant known data and minimising the use of estimates or unknowns. This takes into account the three levels of categories for inputs to valuations for fair value assets:

- Level 1 – quoted prices,
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly,
- Level 3 – unobservable inputs for the asset or liability.





Three Rivers District Council  
Audit Committee Progress Report  
28 March 2023  
Item 7

## Recommendation

Members are recommended to:

- Note the Internal Audit Progress Report for the period to 17 March 2023
- Approve amendments to the Audit Plan as at 17 March 2023
- Agree changes to the implementation dates for 5 audit recommendations (paragraph 2.5) for the reasons set out in Appendices 3 to 7
- Agree removal of implemented audit recommendations (Appendices 3 to 7)

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## Appendices

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- 2 2022/23 Audit Plan Projected Start Dates
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- 8 Assurance and Priority Levels

# 1. Introduction and Background

## Purpose of Report

- 1.1 This report details:
- a) Progress made by the Shared Internal Audit Service (SIAS) in delivering the Council's annual audit plan for 2022/23 as at 17 March 2023.
  - b) Proposed amendments to the approved 2022/23 Annual Audit Plan.
  - c) Implementation status of all previously agreed audit recommendations from 2018/19 onwards.
  - d) An update on performance management information as at 17 March 2023.

## Background

- 1.2 The work of internal audit is required to be reported to a Member Body so that the Council has an opportunity to review and monitor an essential component of corporate governance and gain assurance that its internal audit provision is fulfilling its statutory obligations. It is considered good practice that progress reports also include proposed amendments to the agreed annual audit plan.
- 1.3 The 2022/23 Annual Audit Plan was approved by Audit Committee on 29 March 2022.
- 1.4 The Audit Committee receives periodic updates on progress against the Annual Audit Plan from SIAS, the most recent of which was brought to this Committee on 8 December 2022.

# 2. Audit Plan Update

## Delivery of Audit Plan and Key Audit Findings

- 2.1 At 17 March 2023, 87% of the 2022/23 Audit Plan days had been delivered (calculation excludes unused 'To Be Allocated'). Appendix A provides a status update on each individual deliverable within the audit plan.
- 2.2 One 2022/23 report has been finalised since December Audit Committee.

<b>Audit Title</b>	<b>Date of Issue</b>	<b>Assurance Level</b>	<b>Number and Priority of Recommendations</b>
Development Management, Pre-apps	February 2023	Substantial	Two low

### All Priority Audit Recommendations

- 2.3 Members will be aware that a Final Audit Report is issued when agreed by Management. This includes an agreement to implement the recommendations made. It is SIAS's responsibility to bring to Members' attention the implementation status of recommendations; it is the responsibility of officers to implement the recommendations by the agreed date.
- 2.4 The table below summarises progress in implementation of all outstanding internal audit recommendations as at 17 March 2023, with full details given in appendices 3 to 7:

Year	Recommendations made No.	Implemented	Not yet due	Outstanding & request made for extended time or no update provided	Percentage implemented %
2018/19	38	38	0	0	100%
2019/20	37	36	1	0	97%
2020/21	25	23	0	2	92%
2021/22	36	31	2	3	86%
2022/23	3	1	2	0	33%

- 2.5 Since 8 December 2022 Audit Committee, extension to implementation dates have been requested by action owners for five recommendations as follows:
- One from the 2020/21 Garages audit,
  - One from the 2020/21 Debtors audit,
  - One from the 2021/22 Cyber Security audit,
  - One from the 2021/22 Complaints Handling audit, and
  - One from the 2021/22 Creditors audit.

### Proposed 2022/23 Audit Plan Amendments

- 2.6 Since December Audit Committee, a new audit of FOI has been added to the 2022/23 Three Rivers District Council Audit Plan, with the days coming from a reduction in the original allocation for the Property Services audit and from unused contingency from the Shared Services Audit Plan.

### Reporting of Audit Plan Delivery Progress

- 2.7 To help the Committee assess the current position in terms of progress against the projects in the 2022/23 Audit Plan, an analysis of agreed start dates is shown at Appendix 2. Dates have been agreed with management and resources allocated accordingly.

2.8 The 2022/23 Annual performance indicators and targets were approved by the SIAS Board in March 2022. Actual performance for Three Rivers District Council (including the Shared Services Plan) against the targets that are monitored in year is set out in the table below.

Performance Indicator	Annual Target	Profiled Target to 17 March 2023	Actual to 17 March 2023
<b>1. Internal Audit Annual Plan Report</b> – approved by March Audit Committee or the first meeting of the financial year should a March committee not meet	Yes	N/A	Yes
<b>2. Annual Internal Audit Plan Delivery</b> – the percentage of the Annual Internal Audit Plan delivered (excluding unused contingency)	95%	91% (210 / 231.5 days)	87% (202 / 231.5 days)
<b>3. Project Delivery</b> – the number of projects delivered to draft report stage against projects in the approved Annual Internal Audit Plan	95%	65% (13 out of 20 projects to draft)	55% (11 out of 20 projects to draft)
<b>4. Client Satisfaction*</b> – percentage of client satisfaction questionnaires returned at ‘satisfactory overall’ level (minimum of 39/65 overall)	95%	100%	100% (based on three received)
<b>5. Chief Audit Executive’s Annual Assurance Opinion and Report</b> – presented at the first Audit Committee meeting of the financial year	Yes	N/A	Yes

Service Update and Current Plan Delivery Position

2.9 As reported above, SIAS are currently behind profile for both billable days and projects delivered to draft report status, this a result of in-year challenges in respect of recruitment and retention.

2.10 In response to the above challenges SIAS commissioned two additional external audit partners for quarter four, to supplement the resources available from our contracted external partner. Whilst this has provided sufficient resource to allocate all 2022/23 audits for completion, it has resulted in several audits across our partner councils being moved to quarter four for completion, with these currently in fieldwork. In addition, and outside of the control of SIAS, a small number of audits were also deferred to quarter four, or in some cases April 2023.

- 2.11 Whilst the above is likely to impact on our ability to meet the Key Performance Indicator related to 95% of reports being delivered to draft report stage by 31 March, we are currently satisfied that such delays would not impact on our ability to deliver an un-caveated Annual Assurance report and opinion. Based on current resource availability (including our external partners), we would be able to provide assurance to this Committee that all but one of the audits within the 2022/23 Three Rivers District Council and Shared Services Audit Plans have been allocated for completion before the end of the financial year. The remaining audit is expected to be completed to draft report stage in early April.
- 2.12 The above position is subject to continual monitoring, and regular updates will be provided to the Council's Section 151 Officer, and if required members of the Audit Committee, should it be deemed that any remaining projects could not be completed in sufficient time to inform the annual opinion.

**APPENDIX 1 INTERNAL AUDIT PLAN 2022/23 – UPDATE ON POSITION AS AT 17 MARCH 2023**

**2022/23 SIAS Audit Plan**

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		C	H	M	L				
<b>Key Financial Systems</b>									
Council Tax (shared services plan)						10	BDO	9.5	Draft Report Issued
Financial Reconciliations (shared services plan)						13	BDO	12.5	Draft Report Issued
Fixed Asset Register (shared services plan)						10	BDO	8	In Fieldwork
NDR (shared services plan)						10	SIAS	9.5	Draft Report Issued
Payroll (shared services plan)						12	Mazars	10	In Fieldwork
Sundry Debtors (shared services plan)						10	BDO	9.5	Draft Report Issued
Treasury (shared services plan)						8	BDO	6	In Fieldwork
<b>Operational Audits</b>									
Arts Council Recovery Fund Grant	Unqualified	-	-	-	-	3	SIAS	3	Final Report Issued
Business Continuity Planning						8	BDO	7.5	Draft Report Issued
CIL Spend						8	Mazars	1	In Planning
Contain Outbreak Management Fund Grant	Unqualified	-	-	-	-	0.5	SIAS	0.5	Final Report Issued
Development Management (pre-apps)	Substantial	0	0	0	2	8	BDO	8	Final Report Issued
DFG Capital Grant Certification	Unqualified	-	-	-	-	2	SIAS	2	Final Report Issued
Housing Allocations	Substantial	0	0	0	1	10	SIAS	10	Final Report Issued
Housing Condition Surveys /						9	SIAS	8	In Fieldwork

**APPENDIX 1 INTERNAL AUDIT PLAN 2022/23 – UPDATE ON POSITION AS AT 17 MARCH 2023**

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		C	H	M	L				
HMOs									
Property Services						10	Mazars	8	In Fieldwork
Street Naming & Numbering						8	SIAS	5	In Fieldwork
Trees						10	BDO	8	In Fieldwork
Green Homes Grant	Unqualified	-	-	-	-	3	SIAS	3	Final Report Issued
FOI						9	BDO	7	In Fieldwork
<b>Contract Management</b>									
No audits									
<b>Shared Learning / Joint Reviews</b>									
Shared Learning / Joint Reviews						4		4	Through Year
<b>IT Audits</b>									
Cyber Security (shared services plan)						15	BDO	12	In Fieldwork
<b>To Be Allocated</b>									
Unused Contingency (shared services plan)						1.5		0	
<b>Follow-Up Audits</b>									
Follow-up of outstanding audit recommendations						9		9	Complete
<b>Strategic Support</b>									



**APPENDIX 1 INTERNAL AUDIT PLAN 2022/23 – UPDATE ON POSITION AS AT 17 MARCH 2023**

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		C	H	M	L				
2023/24 Audit Planning						5		5	Complete
Annual Governance Statement						3		3	Complete
Audit Committee						9		8.5	Through Year
Head of Internal Audit Opinion 2021/22						3		3	Complete
Monitoring and Client Meetings						7		6.5	Through Year
SIAS Development						3		3	Complete
<b>2021/22 Projects Requiring Completion</b>									
2021/22 Projects Requiring Completion (5 days TRDC plan / 7 days shared services plan)						12		12	Complete
<b>TRDC TOTAL</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>3</b>	<b>136.5</b>		<b>118</b>	
<b>SHARED SERVICES TOTAL</b>						<b>96.5</b>		<b>84</b>	
<b>COMBINED TOTAL</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>3</b>	<b>233</b>		<b>202</b>	

Key to recommendation priority levels:

C = Critical, H = High, M = Medium, L = Low

**APPENDIX 2 2022/23 AUDIT PLAN PROJECTED START DATES**

Apr	May	Jun	July	Aug	Sept
Housing Allocations <b>Final Report Issued</b>	Arts Council Recovery Fund <b>Final Report Issued</b>	Contain Outbreak Management Fund Grant <b>Final Report Issued</b>		Development Management Pre-apps* <del>Management Pre-apps*</del>	Sundry Debtors (Shared services plan) <b>Draft Report Issued</b>
				Housing Condition Surveys and HMOs** <del>Surveys and HMOs**</del>	Green Homes Grant <b>Final Report Issued</b>
					DFG Certification <b>Final Report Issued</b>

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Oct	Nov	Dec	Jan	Feb	Mar
NDR (Shared services plan) <b>Draft Report Issued</b>	<del>Payroll (Shared services plan)</del> Payroll ***	Financial Reconciliations (Shared services plan) <b>Draft Report Issued</b>	Cyber Security (Shared services plan) <b>In Fieldwork</b>	Trees <b>In Fieldwork</b>	
Business Continuity Planning <b>Draft Report Issued</b>	Council Tax (Shared services plan) <b>Draft Report Issued</b>	Fixed Asset Register (Shared services plan) <b>In Fieldwork</b>	Street Naming & Numbering <b>In Fieldwork</b>	CIL Spend <b>In Planning</b>	

**APPENDIX 2 2022/23 AUDIT PLAN PROJECTED START DATES**

Oct	Nov	Dec	Jan	Feb	Mar
	Property Services ****	Development Management Pre-apps * Final Report Issued	Treasury (Shared services plan) In Fieldwork		
		Housing Condition Surveys and HMOs ** In Fieldwork	Payroll (Shared services plan) *** In Fieldwork		
			Property Services **** In Fieldwork		

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\* Development Management Pre-apps moved from August 2022 to December 2022 due to resourcing at BDO, our external partner. Service has now requested a January 2023 start date.

\*\* Housing Condition Surveys & HMOs moved from August 2022 to December 2022 due to staff absence in SIAS.

\*\*\* Payroll moved from November 2022 to January 2023 to match resource availability.

\*\*\*\* Property moved from November 2022 to January 2023 to match resource availability.

## APPENDIX 3 OUTSTANDING RECOMMENDATIONS FROM THE 2018/19 AUDIT PLAN

Benefits 2018/19							
Final report issued April 2019							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
02	We recommend that testing of the module is carried out to reinstate the ability to delete obsolete data.	Medium	<p>Position (September 2022) Training on how to write the script required to make the retention &amp; destruction module work took place on 12.09.22 (a re-write of the scripts was necessary as the original script could not be located and the officers who wrote and implemented the original scripts no longer work for the authority). We have a few matters to check in terms of the corporate retention polices and a few system parameters to check and then we can switch the module on. Once the script has run once we will know how many documents we have to destroy and how long it will take to destroy them all on the basis we can run the script for a couple of hours every evening and longer at the weekend.</p> <p>Position (November 2022) Some testing and prep work carried out, things were delayed a little due to delivery of the Energy Fuel Rebates and testing for a server migration. Going live week commencing 14.11.22 with a selection of document types which will be increased until all document types are included.</p> <p><b>Position (March 2023)</b> <b>The Retention &amp; Destruction Module went live on 17.12.22 and the recommendation is now resolved.</b></p>	Benefits Manager	31 May 2019	✓	<p><del>31 October 2019</del></p> <p><del>30 June 2020</del></p> <p><del>30 Sept 2020</del></p> <p><del>31 March 2021</del></p> <p><del>30 Sept 2021</del></p> <p><del>30 November 2021</del></p> <p><del>31 January 2022</del></p> <p><del>15 March 2022</del></p> <p><del>31 August 2022</del></p> <p><del>31 October 2022</del></p> <p>30 November 2022</p>

## APPENDIX 4 OUTSTANDING RECOMMENDATIONS FROM THE 2019/20 AUDIT PLAN

Property (Rent and Lease Administration) 2019/20								
Final report issued October 2019								
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline	
Page 37	01	We recommend that the Council review the systems used to maintain records of Council owned properties.	Medium	<p>Position (July 2022)</p> <p>The Trace (Bluebox) Property Management System 'Trace' was acquired on 31 March 2022. After an extensive procurement process, Trace was chosen as it best satisfied the brief and provided a system accessible for casual users (Customer Services Team) and professional users (Property Services). The test databases were uploaded to Traces' cloud-hosted servers and training on how to operate the system has commenced with a number of Officers from the wider Project Team.</p> <p>The Capita 360 Managed Direct Debit system went live on the 1 April 2022 and has successfully been collecting and processing garage rent payments since that time. This workstream is now complete.</p> <p>Our appointed Trace Project Manager has helped to determine how the data from the Capita Academy System and that held on TRDC's Uniform Idox System can be uploaded into standardised templates, which will allow basic asset information, such as address and UPRN to be established on the system very quickly. As stated previously, Officers anticipate that to fully utilise the Trace system, manual data extraction and input will take up to 18 months.</p> <p>Position (September 2022)</p> <p>Following the July 2022 update, progress on the implementation of the Property Management System continues at pace. Data</p>				

## APPENDIX 4 OUTSTANDING RECOMMENDATIONS FROM THE 2019/20 AUDIT PLAN

Property (Rent and Lease Administration) 2019/20							
Final report issued October 2019							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
Page 38			<p>held on the Councils IDOX system has been identified and a bulk extraction &amp; cleansing of that a data has commenced.</p> <p>Mapping data held on the Council's ArcGIS system and ownership data held by the Land Registry is being compared, so that an accurate, and up to date ownership 'layer' can be produced. Once completed, this work will significantly reduce the time taken to establish ownership of TRDC assets and respond to customers. The mapping data will be cross-referenced with the Property Management System so that changes in ownership, new lettings or lease terminations can be reflected in the mapping 'spatial' data (mapping layers).</p> <p>The priority since acquiring the Property Management System is to have the garage properties/tenant records populated and the system fully functional for garage management as soon as possible. The Project Team had set a target date of the end of October 2022 to reach that stage and we are well on track to meet that target.</p> <p>Position (November 2022) Basic data on TRDC's property assets is currently being added to the Trace 'upload' spreadsheets and this work is likely to be concluded by the end of 2022. A data extract report is being downloaded from the IDOX system and any useful information will be added to the Trace spreadsheet for uploading to the system.</p>	Head of Property Services / Property & Legal Services Teams	31 January 2024	* On target	

## APPENDIX 4 OUTSTANDING RECOMMENDATIONS FROM THE 2019/20 AUDIT PLAN

Property (Rent and Lease Administration) 2019/20							
Final report issued October 2019							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
Page 39			<p>A complete ownership layer of assets and unregistered assets has been created by the Council's GIS Officer. This is a major step forward in being able to visually identify land owned or occupied by TRDC, without the need to download Land Registry Office Copies. The next stage is to correlate the data held on the GIS system with data being uploaded in the Trace system – these are likely to be linked by reference to the UPRN (Unique Property Reference Number).</p> <p>The garage management aspect of the Property Management System is now operational. This follows an intensive period of data-loading, testing and training. CSC colleagues are now getting to grips with the new system in order to manage the Council's garage estate. Minor improvements and amendments will e made in the coming weeks and months, but this stage marks a major milestone in the roll out of the Property Management System.</p> <p><b>Position (March 2023)</b>  <b>The garage management data has been uploaded into the Trace system. Final data reconciliation and testing between the Property and CSC Teams is nearing completion and the official 'go live' for garage management via the Trace system will commence from 1 April 2023. This is all on target.</b></p> <p><b>The focus now switches to collating and uploading data relating to TRDC's</b></p>				

## APPENDIX 4 OUTSTANDING RECOMMENDATIONS FROM THE 2019/20 AUDIT PLAN

Property (Rent and Lease Administration) 2019/20							
Final report issued October 2019							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
			<b>Commercial Estate. The property and asset addresses have been uploaded into the system and the next stage of work will be shared between the Property &amp; Legal Teams. Presently both Teams are recruiting key individuals who will lead on this work for the respective Services. In the intervening period, colleagues from the Property Team will continue with scoping and data collection work.</b>				
02 Page 40	We recommend that the Council explore what reports are available from the systems in place to better inform property activity.	Medium	<p>Position (September 2022) The work to satisfy this recommendation remains on track. As previously indicated, until the Property Management System is fully populated with all property data we will be unable to unlock the full reporting power of the system, however, given the progress in relation to the garage estate (comments in connection with recommendation 1 above), we should be in a position to run performance reports from November 2022.</p> <p>Position (November 2022) With the garage asset data now populated on the Property Management System the first stage of enhanced reporting can be rolled out. The Property Management System is capable of producing very detailed, bespoke reports or generalised reporting. The Property &amp; CSC Teams will be exploring and testing the reporting capabilities in further detail over the coming months and this experience will also help to when the commercial estate data is uploaded onto the Trace system.</p>	Principal Property and Asset Manager	30 April 2021	✓	



## APPENDIX 4 OUTSTANDING RECOMMENDATIONS FROM THE 2019/20 AUDIT PLAN

Property (Rent and Lease Administration) 2019/20							
Final report issued October 2019							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
Page 41			<p><b>Position (March 2023)</b>                      As with reference in updates provided in September &amp; November 2022, the capabilities of the Trace system will not be fully utilised until all TRDC asset data is held on the system. However, the capabilities of the system will be tested and used to full effect now that the garage data is held on the Property Management System. Occupancy details, tenancy dates, vacancy data and rental income can all be deduced from the system and bespoke reports created to report on very specific or more general information. One of the attractions of the Trace system is the fact that if the data is held in the system, it can be extracted with advanced reporting tools. It is considered that this task is now completed.</p>	Property Services Team	Before 31 March 2023		

## APPENDIX 5 OUTSTANDING RECOMMENDATIONS FROM THE 2020/21 AUDIT PLAN

Garage Income 2020/21 Final report issued October 2020							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
01	We recommend that the service should have written procedure notes for the raising of invoices to provide clarity and consistency.	Medium	<p>Position (September 2022) Currently the new Paye360 system is now in place and all garage tenants have to be signed up for Direct Debit payment. The opening year's bill is sent out in March every year to inform of any possible annual increases/changes, total amount of the full year's garage rent, and the breakdown of instalments for this amount to be taken throughout the financial year (like Council Tax).</p> <p>The system which will run alongside this to manage tenancies has now been purchased and is currently being configured by the Property Services Department in conjunction with the supplier.</p> <p>The new system is in the process of being configured so that the data transfer upload can take place from the current system. The aim is that the new system will be ready to launch within September 2022 and once the system is up and running procedure notes will be created.</p> <p>Position (November 2022) Currently the new Paye360 system is now in place and all garage tenants have to be signed up for Direct Debit payment. The opening year's bill is sent out in March every year to inform of any possible annual increases/changes, total amount of the full year's garage rent, and the breakdown of instalments for this amount to be taken throughout the financial year (like Council Tax)</p>	Customer Services Manager	31 May 2021	*	<p><del>30 Sept 2021</del></p> <p><del>28 Feb 2022</del></p> <p><del>31 May 2022</del></p> <p><del>30 Sept 2022</del></p> <p><del>31 January 2023</del></p> <p><b>31 May 2023</b></p>

## APPENDIX 5 OUTSTANDING RECOMMENDATIONS FROM THE 2020/21 AUDIT PLAN

Garage Income 2020/21 Final report issued October 2020							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
Page 43			<p>The system which will run alongside this to manage tenancies has now been purchased and is currently being configured by the Property Services Department in conjunction with the supplier.</p> <p>Due to delays with the data transfer the revised timescale is for the system to be live within December 2022 and once the system is up and running procedure notes will be created.</p> <p><b>Position (March 2023)</b>  <b>Training has taken place with staff to show operation and function of the new system. Old garage system has now been turned off. System data is running from April 2022 so currently working off spreadsheets to update the new system. In discussion with Property to produce working manual. Currently working on year end and the new bills for 2023/24 which have seen an increase to new 9 rental bandings.</b></p>				

Debtors 2020/21 Final report issued June 2021							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
03	Consideration should be given to an annual review of debtor accounts to identify duplicate or dormant for deletion or deactivation.	Low	<p>Position (September 2021)            A complete review of the entire Sundry Debtor service has recently been commenced and this will be included as part of the review.</p> <p>Position (November 2021)</p>	Recovery Team Leader, Revenues Manager and Finance.	31 August 2021	*	<del>31 October 2021</del>  <del>30 October 2022</del>

## APPENDIX 5 OUTSTANDING RECOMMENDATIONS FROM THE 2020/21 AUDIT PLAN

Debtors 2020/21							
Final report issued June 2021							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
Page 44			<p>This work is about to start now that the write-off work for Sundry Debts is complete. The whole review of Sundry Debts is still in progress.</p> <p>Position (March 2022) / Position (July 2022) No update provided.</p> <p>Position (September 2022) Finance are going to run and extract this data from the Finance System which Revs &amp; Bens will then check. It may be completed before 30 October 2022, it really depends on how many are on the list.</p> <p>Position (November 2022) The lists were provided by Finance mid-September but work has not yet commenced as the entire Revs and Bens Service was delivering the Energy Fuel Rebate payments. Work will commence on the lists, week commencing 14.11.22.</p> <p><b>Position (March 2023)</b> <b>Revs and Bens have not had the capacity to carry out this work yet as resource has diverted to Energy Fuel Rebate schemes and resource has been very low due to long term staff sickness. Revs and Bens will take ownership of checking duplicate customer account and deleting those where we are certain there is no current billing rule. Finance and the individual services will need to take responsibility for deleting or de-activating old accounts. We will remind them of this requirement.</b></p>				<p><del>31 December 2022</del></p> <p><b>30 June 2023</b></p>

## APPENDIX 6 OUTSTANDING RECOMMENDATIONS FROM THE 2021/22 AUDIT PLAN

<b>Equalities &amp; Diversity 2021/22</b> Final report issued March 2022							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
02	The Comprehensive Equality Policy to be amended to detail that its review is to be conducted on a five-year cycle.	Low	The five-year cycle was agreed as part of the Strategy and Policy register. The review is due to begin at the end of 2022 and therefore this will be updated in the new policy by March 2023.  Position (July 2022) / (September 2022) As above.  Position (November 2022) Census data is now being released and changes in population profile are being reviewed to inform the policy review.  <b>Position (March 2023)</b> <b>The Equalities Committee on 14<sup>th</sup> March 2023 will consider the new Policy which indicates a 3 year review cycle. Agenda and papers can be found at <a href="https://www.threerivers.gov.uk/meeting/equalities-sub-committee-14-march-2023-7pm">https://www.threerivers.gov.uk/meeting/equalities-sub-committee-14-march-2023-7pm</a></b>	Head of Community Partnerships	31 March 2023	✓	
04	The Council should create a more direct link between its current KPIs and its main strategic E&D objectives to monitor progress against these desired goals with increased scrutiny.  The Council should draw from its current E&D KPIs, ones that contribute to achieving its strategic objectives, and performance against these indicators should be included in the Council's annual publication of its Equality Duty Information Report (EDIR).	Low	These will be included in the next publication in January 2023 and Annual performance indicator review this will be noted.  Position (July 2022) Review of the Corporate Framework has begun and through that process and subsequent service planning the KPIs will be reviewed.  Position (September 2022) As above.  Position (November 2022) A new Equality Performance Indicator has been agreed with HR and will, subject to	Head of Community Partnerships and Performance and Projects Manager.	31 July 2022	✓	<del>31 January 2023</del>  1 April 2023

## APPENDIX 6 OUTSTANDING RECOMMENDATIONS FROM THE 2021/22 AUDIT PLAN

Equalities & Diversity 2021/22							
Final report issued March 2022							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
			<p>member approval, come into use in April 2023.</p> <p><b>Position (March 2023)</b>  <b>The Equalities Committee on 14<sup>th</sup> March 2023 will consider the EDIR and new Policy which include clear and specific links to the newly approved Corporate Framework and specific targets to be met within the timeframe of the new policy. Agenda and papers can be found at</b>  <a href="https://www.threerivers.gov.uk/meeting/equalities-sub-committee-14-march-2023-7pm">https://www.threerivers.gov.uk/meeting/equalities-sub-committee-14-march-2023-7pm</a></p>				

Section 106 2021/22							
Final Report issued March 2022							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
02	<p>We recommend that the Land and Property Team review examples of information presented to members at other similar councils and identify what information is proportionate and appropriate to share with members (if any) to benchmark the information that could be shared. We then recommend that the team ask Members if they would like information to be circulated to them and what would be useful. This is to ensure the information is relevant and pertinent to members.</p> <p>Depending on the outcome of the above, we recommend that the Land and Property Team regularly report to</p>	Low	<p>Information will be sent to Council Members on a quarterly basis via Members Information Bulletin. A review of information to be given to Members will be requested from other local authorities.</p> <p>Website training will be requested again to ensure that information can be updated as required.</p> <p><b>Position (July 2022)</b>            We are still considering what information would be of interest to Council Members. We have approached other local authorities in this respect, with mixed results. We are investigating information held by departments and how often this information is updated, to ensure that any information given is relevant,</p>	Team Leader for Land and Property	30 June 2022	*	31 March 2023

**APPENDIX 6 OUTSTANDING RECOMMENDATIONS FROM THE 2021/22 AUDIT PLAN**

Section 106 2021/22							
Final report issued March 2022							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
Page 47	<p>Members with information they request.</p> <p>Furthermore, we recommend that corporate training is made available to ensure that the Land and Property Team can update the website as required.</p>		<p>of benefit to Members and how often it should be reported. We will require a revised target in this respect. I would suggest that this is extended to the end of this financial year.</p> <p><b>Position (September 2022)</b> The outstanding recommendation regarding notification of Section 106 information to Council Members is still being considered. It is important that up-to-date and informative information is given to Members in an easy to understand format and this is proving somewhat of a challenge. However, we are endeavouring to achieve this recommendation as soon as possible and at least within this financial year.</p> <p><b>Position (November 2022)</b> We are continuing to speak to colleagues to ensure the information we have and share is transparent, clear and can be easily understood. We still currently hope to get something in place prior to the end of the financial year.</p> <p><b>Position (March 2023)</b> <b>We created a further draft version of the information to Members and sent it to colleagues to how easy it was to understand. Based on comments received we have created another simplified version and are currently waiting for feedback. If this version is considered better, we will be able to send it to Members. We will use any comments from Members to make future changes, if required.</b></p>				

## APPENDIX 6 OUTSTANDING RECOMMENDATIONS FROM THE 2021/22 AUDIT PLAN

Main Accounting 2021/22							
Final report issued April 2022							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
03	<p>We recommend that procedure notes are produced for feeder system reconciliations to enable them to be carried out correctly and checked in a timely manner.</p> <p>We also recommend that Benefits system reconciliations are signed and dated by another person in Finance.</p>	Low	<p>Position (November 2022) In progress – we have a reconciliation tracker and have most of the procedures notes however this has provided an opportunity to rework and improve a small number of processes, which is currently being done as part of this work.</p> <p>Target date is now 31 December 2022.</p> <p><b>Position (March 2023)</b> <b>We have process notes for each reconciliation on our Tracker. Each reconciliation is signed off by another person. We are currently undertaking an internal audit on reconciliations. Resolved.</b></p>	Finance Section Head / Finance Systems Manager	31 October 2022	✓	31 December 2022

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Cyber Security 2021/22							
Final report issued April 2022							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
01	<p>1.1 Management should ensure that appropriate monitoring controls are in place for the password monitoring and management activities. These should include but not be limited to the following:</p> <ul style="list-style-type: none"> <li>brute-forcing of account passwords including password spraying,</li> <li>login attempts from unexpected geographic</li> </ul>	Medium	<p>01 Mar 2022 the Azure AD Password Protection was implemented. Users will not be able to change passwords to weak passwords nor known passwords nor passwords from our Ban List of password.</p> <p>1.1 – requires a third-party tool and associated funding would be required. The implementation of the password protection for Azure AD lowers the risk.</p> <p>1.2 - this would be dependent on the ability to fund with a third-party tool – 1.1.</p>	Head of ICT	31 March 2023		31 March 2024



## APPENDIX 6 OUTSTANDING RECOMMENDATIONS FROM THE 2021/22 AUDIT PLAN

Cyber Security 2021/22 Final report issued April 2022							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
Page 49	<p>areas,</p> <ul style="list-style-type: none"> <li>unexpected account lockouts</li> <li>password database for the deny list hashes,</li> <li>other unusual behaviour from users.</li> </ul>		<p>Position (July 2022) Third party tools currently being reviewed and costed. Item not yet due.</p> <p>Position (September 2022) 1.1 - Third party tools have been evaluated and Netwrix has been selected as the preferred tool.</p> <p>1.2 – Netwrix had demonstrated the tool in detail and a 30-day trial to test the system further is available.</p> <p>1.3 – Quotation for 1- and 3-year option has been provided.</p> <ul style="list-style-type: none"> <li>1-year option - £7,806</li> <li>3-year option - £16,483</li> </ul> <p>1.4 – Implementation of the tool will be dependent on the ability to fund the third-party tool, this will require an approval by ITSG for an additional spend. A paper to review this recommendation and request any growth in budget 2022.</p>				
	1.2 The above proposed controls, once in place, should be actively reported upon, through the periodic cyber security reports, to the senior management.		<p>Position (November 2022) 1.1 – Due to the audit which was performed by DLUHC, the scope of the security posture has extended. The grant to address the sections of the new recommendations within the scope has been successfully secured.</p> <p>1.2 – The evaluation of the third-party tool has been extended, due to the new requirements within the scope presented post the DLUHC audit.</p> <p>1.3 The new proposed completion dates</p>				

## APPENDIX 6 OUTSTANDING RECOMMENDATIONS FROM THE 2021/22 AUDIT PLAN

Cyber Security 2021/22 Final report issued April 2022							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
			<p>recommended by DLUHC is end of Q4 March 2024.</p> <p><b>Position (March 2023)</b>  <b>In progress. Produce options and costs continue to be reviewed and costed against all recommendations included within the DLUHC cyber grant budget.</b></p>				
03	Management should conduct regular monthly vulnerability scans across the entire IT estate including endpoint, to identify and mitigate vulnerabilities including software flaws, missing patches, misconfigurations and malwares.	Low	<p>This would require additional budget and would need a growth item approved, as there are licence implications for the Qualys scanner.</p> <p>Position (July 2022)                      Extension of current third party tools currently being reviewed and costed. Item not yet due.</p> <p>Position (September 2022)                      1.1- Third party Qualys had introduced a new module which will enable the management of remote devices through the cloud.</p> <p>1.2 – Both options are currently being evaluated and costed. Decision made will be based on cost, functionality, and management.</p> <p>Position (November 2022)                      1.1 – Due to the allocation of a new Account Manager at Qualys and the changes within the licensing structure, Qualys are currently reviewing the proposed quotation to align the requirements with the new licensing structure.</p> <p>1.2 – Workshop with Qualys has been scheduled to discuss the new proposed</p>	Head of ICT	31 March 2023	*	<b>30 June 2023</b>

## APPENDIX 6 OUTSTANDING RECOMMENDATIONS FROM THE 2021/22 AUDIT PLAN

Cyber Security 2021/22							
Final report issued April 2022							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
Page 51			<p>licensing structure and the modules which are required to enable the management of the devices remotely through the cloud and not relaying on the VPN.</p> <p><b>Position (March 2023)</b>  <b>Remains in progress, however Associate Director of ICT and Shared services requests an extension of 3 months. This is due to</b></p> <ul style="list-style-type: none"> <li>a. <b>Qualys licencing for public sector has recently changed. Awaiting updated quotations.</b></li> <li>b. <b>In terms of funding, a recent grant award from DLUHC will cover this item. Therefore no requirement for additional growth within the ICT service budget.</b></li> </ul>				

Complaints Handling 2021/22							
Final report issued May 2022							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
01	<p>We recommend that when a complaint is received, it is not only forwarded to the Head of Service but also to the designated complaints officer within the service.</p> <p>The officer should then immediately log the complaint on Firmstep and monitor timescales through to resolution. This would give the designated officer more context into the complaint and allow them to help</p>	High	Complaints to be communicated to the Designated Complaints Logging Officer as well as Head of Service/Complaints Officer at time of receipt. Discussions to take place with Departments to find the best way of delivering this across platforms. If via Enquiries email then CSC will email to the designated officer as well as the Head of Service. Logging Officer then responsible with logging the complaint in a timely manner and monitor timescales until resolution. Head of Service/Complaints Officer to send Logging Officer response so complaint	Customer Service Centre Team Manager	31 October 2022	*	<p><del>30 November 2022</del></p> <p>31 January 2023</p> <p><b>31 May 2023</b></p>

## APPENDIX 6 OUTSTANDING RECOMMENDATIONS FROM THE 2021/22 AUDIT PLAN

Complaints Handling 2021/22							
Final report issued May 2022							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
Page 52	adhere to the Council's prescribed timescales for dealing with complaints. Additionally, we recommend that when a complaint is resolved this is noted immediately on Firmstep to ensure accurate information is available.		<p>can be closed asap on Firmstep.</p> <p>Position (July 2022) We are currently reviewing the Corporate Complaints and Compliments Policy and Procedure with the intention that all complaints are to be logged by the Customer Service Centre. Centralising where the complaints are coming into will make us able to log the complaints immediately on receipt and help monitor response time from Departments. Once the complaint is logged it will be sent to the Department's Head of Service to investigate and respond to the complaint.</p> <p>Position (September 2022) We are currently reviewing the Corporate Complaints and Compliments Policy and Procedure with the intention that all complaints are to be logged by the Customer Service Centre. Centralising where the complaints are coming into will make us able to log the complaints immediately on receipt and help monitor response time from Departments. Once the complaint is logged it will be sent to the Department's Head of Service to investigate and respond to the complaint.</p> <p>This revised Compliments &amp; Complaints policy is going to P&amp;R Committee in November and will be put in place following approval.</p> <p>Position (November 2022) The new complaints and vexatious complaints policies were agreed at P&amp;R on 7<sup>th</sup> November which are now live.</p> <p>Work is taking place in the creation of a new Corporate Complaints Procedure. These</p>				

## APPENDIX 6 OUTSTANDING RECOMMENDATIONS FROM THE 2021/22 AUDIT PLAN

Complaints Handling 2021/22							
Final report issued May 2022							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
			<p>should be circulated by January 2023.</p> <p><b>Position (March 2023)</b>  <b>Complaints procedure has been finalised and work is continuing to be done so that members of the public are able to raise a complaint online using the self-service portal.</b></p>				

Creditors 2021/22							
Final report issued July 2022							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
02	<p>We recommend:</p> <p>1. The Council creates a policy/procedure covering the use of CHAPS and Faster Payments. This will include:</p> <ul style="list-style-type: none"> <li>The criteria which must be met to use CHAPS and Faster payments,</li> <li>The process for requesting and approving these payments,</li> <li>Which officers can request and approve these payments and how delegated limits will be set.</li> </ul> <p>2. The Council updates the Payment Voucher request procedure to outline the types of payments which are eligible and ineligible to be made using this method.</p> <p>3. The policy and procedures for</p>	Medium	<p>A process note for CHAPS and Faster Payments will be written along with a scheme of delegation, agreed by S151 Officer and published on the intranet.</p> <p>Agreed and will be published as per the above.</p> <p>Agreed they will be published on the intranets and a communication to all staff.</p>	Finance Manager (Systems)	26 August 2022	* - part 1 and 2 resolved. Revised deadline for part 3.	<p><del>31 October 2022</del></p> <p><del>31 December 2022</del></p> <p><del>15 March 2023</del></p> <p><b>15 April 2023</b></p>

## APPENDIX 6 OUTSTANDING RECOMMENDATIONS FROM THE 2021/22 AUDIT PLAN

Creditors 2021/22							
Final report issued July 2022							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
Page 54	CHAPS, Faster Payments and Payment Vouchers are communicated/re-communicated to all relevant staff across the Council (e.g., in a corporate communication) and placed on key staff systems such as the Intranet for reference		<p>Position - July 2022 Not yet due.</p> <p>Position (September 2022) 1 is resolved ✓ process note created. 2 is resolved ✓ process updated.</p> <p>3 We will publish revised note and new note on the intranet along with Delegated authority listings.</p> <p>New deadline: 31 October 2022</p> <p>Position (November 2022) Process notes have been written.</p> <p>There are issues with intranet, so these will be circulated by email,</p> <p>Delegated authority lists to be run and agreed.</p> <p>Again, there are issues with intranet so these will be published when intranet issues resolved.</p> <p><b>Position (March 2023)</b> <b>There has been an issue with the intranet, however, two Finance staff are undertaking training and will publish as agreed. New deadline 15<sup>th</sup> April 2023.</b></p>				

## APPENDIX 7 OUTSTANDING RECOMMENDATIONS FROM THE 2022/23 AUDIT PLAN

Development Management – Pre-Application Fees 2022/23							
Final report issued February 2023							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
01	The Council should update the procedures to record the following information: <ul style="list-style-type: none"> <li>• Next review date and/or frequency of review</li> <li>• Who reviewed and approved the document.</li> </ul>	Low	<b>Position (March 2023)</b> <b>This can be added to the documents and version control added.</b>	DM Team Leader	30 April 2023		
02	The Council should produce a line-by-line breakdown of the pre-application fees and charges and how they relate to the costs of the service to ensure that the costs are recovered fully and all resource requirements are considered adequately.	Low	<b>Position (March 2023)</b> <b>It is proposed to undertake a full cost exercise that will take into account the cost of the team and organisational overheads for setting charges for 2024/25.</b>	Head of Regulatory Services / DM Team Leaders	30 September 2023		

## APPENDIX 8 ASSURANCE AND PRIORITY LEVELS

Audit Opinions		
Assurance Level	Definition	
Assurance Reviews		
<b>Substantial</b>	A sound system of governance, risk management and control exist, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.	
<b>Reasonable</b>	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.	
<b>Limited</b>	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.	
<b>No</b>	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.	
<b>Not Assessed</b>	This opinion is used in relation to consultancy or embedded assurance activities, where the nature of the work is to provide support and advice to management and is not of a sufficient depth to provide an opinion on the adequacy of governance or internal control arrangements. Recommendations will however be made where required to support system or process improvements.	
Grant / Funding Certification Reviews		
<b>Unqualified</b>	No material matters have been identified in relation the eligibility, accounting and expenditure associated with the funding received that would cause SIAS to believe that the related funding conditions have not been met.	
<b>Qualified</b>	Except for the matters identified within the audit report, the eligibility, accounting and expenditure associated with the funding received meets the requirements of the funding conditions.	
<b>Disclaimer Opinion</b>	Based on the limitations indicated within the report, SIAS are unable to provide an opinion in relation to the Council's compliance with the eligibility, accounting and expenditure requirements contained within the funding conditions.	
<b>Adverse Opinion</b>	Based on the significance of the matters included within the report, the Council have not complied with the funding conditions associated with the funding received.	
Recommendation Priority Levels		
Priority Level	Definition	
Corporate	<b>Critical</b>	Audit findings which, in the present state, represent a serious risk to the organisation as a whole, i.e. reputation, financial resources and / or compliance with regulations. Management action to implement the appropriate controls is required immediately.
	<b>High</b>	Audit findings indicate a serious weakness or breakdown in control environment, which, if untreated by management intervention, is highly likely to put achievement of core service objectives at risk. Remedial action is required urgently.
Service	<b>Medium</b>	Audit findings which, if not treated by appropriate management action, are likely to put achievement of some of the core service objectives at risk. Remedial action is required in a timely manner.
	<b>Low</b>	Audit findings indicate opportunities to implement good or best practice, which, if adopted, will enhance the control environment. The appropriate solution should be implemented as soon as is practically possible.





Three Rivers District Council  
Audit Committee  
28 March 2023

2023/24 Internal Audit Plan Report

Item 8

Recommendation

Members are recommended to approve the proposed 2023/24 Three Rivers District Council and Shared Services Internal Audit Plans

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### 2. Audit Planning Process

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2.2 Approach to Planning

2.10 Planning Context

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## Appendices

A Three Rivers District Council Draft  
2023/24 Internal Audit Plan

B Watford and Three Rivers Shared  
Services Draft 2023/24 Internal Audit Plan

C Internal Audit Start Dates Agreed with  
Management

# 1. Introduction and Background

- 1.1 The mission of Internal Audit is “to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight”. The Public Sector Internal Audit Standards (PSIAS) encompass the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF). These Standards note that a professional, independent and objective internal audit service is one of the key elements of good governance, as recognised throughout the UK public sector.
- 1.2 The SIAS Board has approved the SIAS Internal Audit Strategy in March 2023 and this strategy outlines how SIAS will achieve the mission of Internal Audit and ensure ongoing compliance with the PSIAS. The following report follows the key principles within the Strategy related to Audit Planning and Resourcing, with the Strategy document itself being available to Members upon request.
- 1.3 The PSIAS set out how we must approach audit planning. The specific standards that we must adhere to are as follows:

Standard	Description
2010	A risk-based plan, setting out audit priorities consistent with the goals of the organisation.
2010	Linked to annual opinion need and internal audit Charter
2010.A1	Based on documented risk assessment, updated at least yearly and consulting Senior Management and Members
2010.A2	Reflect expectations of Senior Management, Members and other stakeholders
2020	Communicated to Senior Management for review and to Members for approval
2030	Ensure internal audit’s resources are fit and effectively used
2030	Must explain how resource adequacy assessed, and set out results of any limits

- 1.4 The Council’s Internal Audit Plans set out the programme of internal audit work for the year ahead, and forms part of the Council’s wider assurance framework. It supports the requirement to produce an audit opinion on the overall internal control environment of the Council, as well as a judgement on the robustness of risk management and governance arrangements, contained in the Chief Audit Executive’s Annual Opinion Report.
- 1.5 The Shared Internal Audit Service’s (SIAS) Audit Charter, which is presented to the Committee annually, shows how the Council and SIAS work together to provide a modern and effective internal audit service. This approach complies with the requirements of the United

Kingdom Public Sector Internal Audit Standards (PSIAS) which came into effect on 1 April 2013 and revised on 1 April 2017. An updated version of the SIAS Audit Charter will be brought to the July 2023 Audit Committee meeting for Member approval.

- 1.6 Section 2 of this report details how SIAS complies with these requirements.

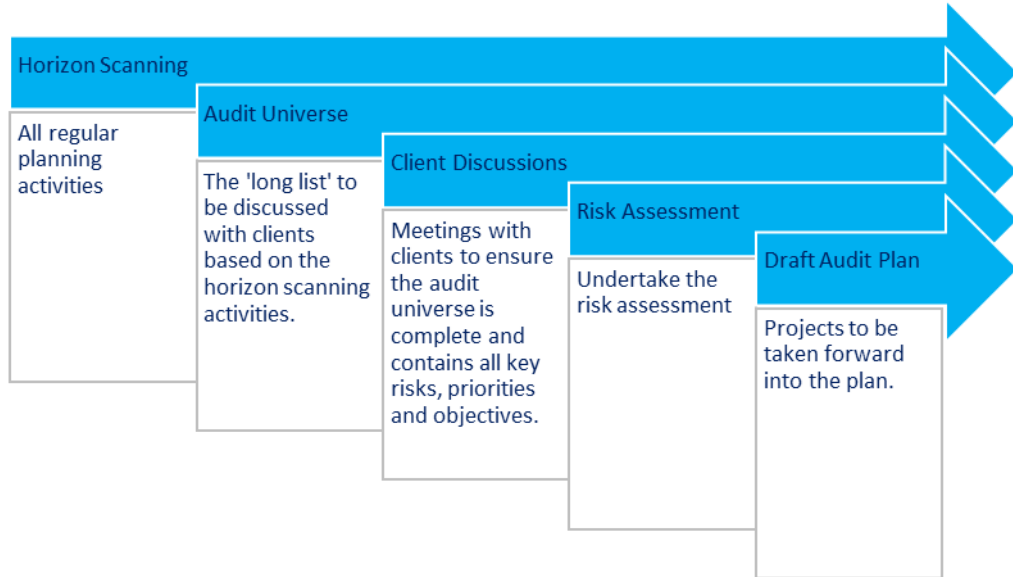
## 2. Audit Planning Process

### **Planning Principles**

- 2.1 SIAS audit planning is underpinned by the following principles:
- a) Focus of assurance effort on the Council's key issues and controls, obligations, outcomes and objectives, critical business processes and projects and principal risks. This approach ensures coverage of both strategic and key operational issues.
  - b) Maintenance of an up-to-date awareness of the impact of the external and internal environment on the Council's control arrangements.
  - c) Use of a risk assessment methodology to determine priorities for audit coverage based, as far as possible, on management's view of risk.
  - d) Dialogue and consultation with key stakeholders to ensure an appropriate balance of assurance needs. This approach includes recognition that in a resource-constrained environment, all needs cannot be met.
  - e) Identification of responsibilities where services are delivered in partnership.
  - f) In-built flexibility to ensure that new risks and issues are accommodated as they emerge.
  - g) Capacity to deliver key commitments including governance work.
  - h) Capacity to respond to management requests for assistance with special investigations, consultancy and other forms of advice.

## Approach to Planning

- 2.2 SIAS has developed an approach to annual planning that ensures ongoing compliance with the requirements of the PSIAS, SIAS applies the following methodology at its partners:



## Horizon Scanning and Audit Universe

- 2.3 SIAS conducts horizon scanning to ensure that it is aware of the key issues and risks locally and nationally as well as the corporate and service objectives of the Council. To do this, SIAS undertakes the following activities:



- 2.4 Following the horizon scanning work, SIAS creates an Audit Universe based on all auditable areas and entities. The Audit Universe forms the basis of discussions with Senior Managers.

#### Client Discussions

- 2.5 SIAS undertook detailed discussions with senior managers and other key officers within the Council during January and February 2023, to confirm auditable areas and elicit high level detail of the scope of audits. This process incorporates the following steps to assist in the prioritisation of proposed internal audit projects:

#### *Risk Assessment*

Senior managers and SIAS agree the level of risk associated with an identified auditable area and prioritise this accordingly.

#### *Other sources of Assurance*

Senior managers are asked whether assurance in the auditable area is obtained from other assurance providers e.g. external audit or the Health and Safety Executive. This approach ensures that provision of assurance is not duplicated.

#### *Significance*

Senior Managers assess how significant the auditable area is in terms of the achievement of corporate or service objectives and priorities.

#### *Timings*

Senior managers identify when an audit should be undertaken to add most value.

#### Risk Assessment

- 2.6 The overarching risk that SIAS bases planning against is the risk that audit work completed does not provide sufficient coverage and significance for SIAS to provide a robust annual assurance opinion. Therefore, SIAS risk assesses each auditable area to ensure that their resources are directed appropriately.
- 2.7 The risk assessment behind the development of the 2023/24 Internal Audit Plan was strongly correlated to the Council's plans and associated Council monitoring through risk assessments, KPI's and project progress.
- 2.8 SIAS also include considerations of financial materiality, corporate significance, vulnerability and change and management concerns, as part of the risk assessment, including alternative sources of assurance through the Three Lines (of Defence) model.

## Draft Audit Plan

- 2.9 The results of the risk assessment and discussions with Senior Mangers provides draft Internal Audit Plans. SIAS has presented these draft plans to the Corporate Management Team on 7 March 2023 and to Governance Group on 15 March 2023 to seek their views on the assessments completed and to provide any further updates or comments. The outcome is now presented to Members as part of this report for their approval of the Draft Internal Audit Plans for 2023/24.

## The Planning Context

- 2.10 The context within which local authorities provide their services remains challenging:
- The longer-term impacts of the pandemic continue to emerge and there are ongoing challenges and risks relating to economic growth, public health and equality for local authorities.
  - The result of the changes to trading with EU based companies will have an impact on Council services with additional risks needing to be considered that include compliance with customs rules, continuity of supply / services and workforce pressures related to the right to work in the UK.
  - Latest forecasts show a cloudy outlook for the UK economy, reflecting increasing national and international uncertainties. Local authorities will need to be attuned to the impact, including rising interest rates and inflation, increased salary levels, rising material and construction costs, the potential reduction in business rates and recruitment and retention challenges, on their local economies and services and any direct investments of their own.
  - Demand continues to rise, driven by complex needs, an ageing population and challenges in the healthcare system. With reduced financial support, local authorities will have to continue to become more innovative and commercial.
  - Cyber security (ransomware and malware) remains a consistent threat to organisations and there are a growing number of local authorities that have been subjected to successful attacks recently. Continued vigilance and awareness remain key to protecting the information assets of local authorities.
  - Digital transformation continues to offer opportunities along with significant risks. The innovative use of technology is helping to reduce costs, as well as be more efficient and transparent. However, factors such as security, privacy, ethical and regulatory compliance are a recognised concern.

- Major national programmes in areas like changes to the retention of business rates, public health and housing mean the overall financial environment remains relatively unstable.
- There have been high profile governance issues relating to, conflicts of interest, probity, and procurement, at both national and local levels creating a culture of mistrust in all tiers of government.
- Local authorities are facing significant challenges in relation to talent management, both in terms of recruitment and retaining staff meaning ability to remain resilient and deliver high quality services may become a concern in short term.
- As Council's continue to promote hybrid working arrangements as an option for some staff, there is need to review how these may impact on governance and internal control arrangements, ensuring that these adapt accordingly.
- The increasing cost of living pressures on staff and communities increase the importance of maintaining strong internal control environments for key financial systems to reduce the risk of internal or external fraud.
- Many local authorities have declared a Climate and Ecological Emergency in the past couple of years and made commitments to become Net Zero. Whilst the pandemic has distracted some from this priority, it cannot be ignored and is now a greater challenge to maintain focus and deliver the necessary carbon reductions.

2.11 The resultant efficiency and transformation programme that councils are in the process of implementing and developing continues to profoundly alter each organisation's nature. Such developments are accompanied by potentially significant governance, risk management and internal control change.

2.12 The challenge of giving value in this context, means that Internal Audit needs to:

- Meet its core responsibilities, which are to provide appropriate assurance to Members and senior management on the effectiveness of governance, risk management and control arrangements in delivering the achievement of Council objectives.
- Identify and focus its effort on areas of significance and risk, assisting the organisation in managing change effectively, and ensuring that core controls remain effective.
- Give assurance which covers the control environment in relation to new developments, using leading edge audit approaches such as use of technology to achieve 'whole population testing' and new



insights over sampling or ‘continuous assurance’ where appropriate.

- Retain flexibility in the audit plan and ensure the plan remains current and relevant as the financial year progresses.

### **2023/24 Internal Audit Plans**

2.13 The draft 2023/24 audit plans are included at Appendix A and B and contain a high-level proposed outline scope for each audit. Appendix C details the indicative start months. The total number of days purchased in 2023/24 covering the Three Rivers District Council, Watford Borough Council and Shared Services audit plans has reduced from 362 days to 346 days. The table below shows the estimated allocation of the total annual number of purchased audit days for the year for the Three Rivers District Council and Shared Services audit plans.

	<b>TRDC Internal Audit Plan Days</b>	<b>Shared Services Internal Audit Plan Days</b>	<b>Total Internal Audit Plan Days</b>
Key Financial Systems	0	54	54
Operational audits	69	12	81
Grant Certifications	4	0	4
Procurement / Contract Management	8	0	8
Risk & Governance	0	0	0
IT Audits	0	30	30
Contingency	0	0	0
Recommendation Follow Ups	8	0	8
Strategic Support*	26	0	26
2022/23 Projects Requiring Completion	5	4	9
<b>Total Internal Audit Days 2023/24</b>	<b>120</b>	<b>100</b>	<b>220</b>

\* This covers supporting the Audit Committee, monitoring, client liaison and planning for 2024/25.

2.14 Members will note the inclusion of a provision for the completion of projects that relate to 2022/23. The structure of Internal Audit’s programme of work is such that full completion of every aspect of the work in an annual plan is not always possible; especially given the high dependence on client officers during a period where there are competing draws on their time e.g. year end closure procedures.

2.15 The nature of assurance work is such that enough activity must have been completed in the financial year, for the Chief Audit Executive to

give an overall opinion on the Authority's internal control environment. In general, the tasks associated with the total completion of the plan, which includes the finalisation of all reports and negotiation of the appropriate level of agreed mitigations, is not something that adversely affects delivery of the overall opinion. The impact of any outstanding work is monitored closely during the final quarter by SIAS in conjunction with the Section 151 Officer.

### Resources

- 2.16 The Standard 2030 requires SIAS to consider our resources, how these will be effectively used and any limitations of the adequacy of resources.
- 2.17 Achievement of our role and objectives is predicated on the matching of audit needs to available resources through our work allocation processes. This is accomplished through the delivery of internal audit activities by a range of suitably qualified and experienced team members working flexibly in a matrix structure to maximise the value to all our partners and clients. SIAS resources are calculated based on the chargeability of each member of the team and the structure was designed to ensure sufficient chargeability to deliver all plans.
- 2.18 SIAS will utilise our internal audit delivery partner to provide service resilience and access to specialist skills not currently available within the service, or which are not economically viable to recruit and retain on a permanent basis.
- 2.19 SIAS staff are provided training and development across the year to support service delivery at our partners. In addition, SIAS provides funding for professional qualifications and currently has four team members studying towards their professional qualifications.
- 2.20 The service will be adequately resourced to deliver the number of planned internal audit days commissioned by Three Rivers District Council. There are currently no limitations on the adequacy of resources in place to deliver the Three Rivers District Council and Shared Services Internal Audit Plans 2023/24.

## 3. Performance Management

### Update Reporting

- 3.1 SIAS is required to report its work to a Member Body so that the Council has an opportunity to review and monitor an essential component of corporate governance and gain assurance that its internal audit provision is fulfilling its statutory obligations. Progress against the agreed internal audit plan for 2023/24 and any proposed changes will be reported to this Committee four times in 2023/24.

- 3.2 SIAS will report on the implementation of agreed audit recommendations as part of the update reporting process.

Performance Indicators

- 3.3 Annual performance indicators are reviewed annually by the SIAS Board and details of the 2023/24 targets are shown below. Actual performance against target will be included in the update reports to this Committee.

Performance Indicator	Performance Target	Reporting Frequency
<b>1. Public Sector Internal Audit Standards</b> – the service conforms with the standards	Yes	Annually
<b>2. Internal Audit Annual Plan Report</b> – approved by the March Audit Committee or the first meeting of the financial year should a March committee not meet	Yes	Annually
<b>3. Annual Internal Audit Plan Delivery</b> – the percentage of the Annual Internal Audit Plan delivered	95%	Quarterly
<b>4. Project Delivery</b> – the number of projects delivered to draft report stage against projects in the approved Annual Internal Audit Plan	95%	Quarterly
<b>5. Client Satisfaction*</b> – percentage of client satisfaction questionnaires returned at ‘satisfactory overall’ level (minimum of 39/65 overall)	TBC*	TBC*
<b>6. Chief Audit Executive’s Annual Assurance Opinion and Report</b> – presented at the first Audit Committee meeting of the financial year	Yes	Annually

\*The approach for obtaining client feedback is currently being reviewed, therefore this indicator will be added, if it remains relevant, upon completion of this exercise. In the meantime, SIAS continues to send customer satisfaction questionnaires to lead officers at the conclusion of each audit, with any issues identified discussed with the client to support continuous learning and development of the service.

Three Rivers District Council  
Audit Committee  
28 March 2023

Three Rivers District Council Draft 2023/24 Internal Audit Plan

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days	Target Quarter
<b>FINANCIAL SYSTEMS</b>			
	See Shared Services Internal Audit Plan		
<b>OPERATIONAL AUDITS</b>			
Safeguarding	Review of the Council's role in promoting the welfare of children and vulnerable adults and protecting them from harm. To include policy statements, training, record keeping, referrals to stakeholders / the police / partners.	10	Q1
Taxi Licensing	Review of the processing and issue of taxi licence applications.	10	Q2
Watersmeet Theatre	Review of bar income and licensee conditions.	8	Q2
Performance Management / Data Quality	Review of the Council's performance management systems, including data quality and reporting.	15	Q2
Property Services	Time allocated for a further targeted review of the new Asset Management system. Coverage to be determined in-year.	10	Q3

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days	Target Quarter
Temporary Accommodation	Review of temporary accommodation, including whether debt is recovered in full and in a timely manner and that placements are made in a robust manner.	8	Q3
Emergency Planning	Review of the Council's emergency planning arrangements.	8	Q4
<b>GRANT CLAIM CERTIFICATIONS</b>			
Miscellaneous Grants	To certify any grant claims required during the year.	4	As required
<b>PROCUREMENT</b>			
Procurement of Play Areas / small outdoor leisure facilities	Review of the play areas / small outdoor leisure facilities procurement exercise, including sharing of lessons learnt and areas of good practice and whether expected outcomes have been achieved.	8	Q3
<b>RISK MANAGEMENT AND GOVERNANCE</b>			
	No audits identified.		

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days	Target Quarter
<b>IT AUDITS</b>			
	See Shared Services Internal Audit Plan.		
<b>CONTINGENCY</b>			
<b>FOLLOW-UP OF AUDIT RECOMMENDATIONS</b>			
Follow-up of audit recommendations	Obtaining quarterly updates on the status of internal audit recommendations from action owners and reporting outcomes to Audit Committee.	8	Quarterly
<b>STRATEGIC SUPPORT</b>			
Head of Assurance Opinion 2022/23	To prepare and agree the Head of Assurance Audit Opinion for 2022/23.	3	Q1
Audit Committee	To provide services linked to the preparation of Audit Committee reports and presentation of reports / participation at Audit Committee.	8	Quarterly

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days	Target Quarter
Monitoring and Client Meetings	To produce and monitor performance and billing information, work allocation and scheduling, and to meet with the Council's Audit Champion and other key officers.	7	Through year
2024/25 Internal Audit Planning	To provide services in relation to preparation and agreement of the 2024/25 Internal Audit Plan in conjunction with senior officers of the Council.	5	Q4
SIAS Development	Included to reflect the Council's contribution (as with all partners) to developing the partnership.	3	Q1
<b>2022/23 PROJECTS REQUIRING COMPLETION</b>			
2022/23 Projects to be completed	Time for completion of 2022/23 audits carried forward into 2023/24 (any unused time will be reallocated).	5	Q1
<b>TOTAL DAYS – THREE RIVERS DISTRICT COUNCIL 2023/24 INTERNAL AUDIT PLAN</b>		<b>120</b>	



**Reserve List**

<b><u>Title</u></b>	<b><u>Purpose</u></b>
Third Sector Commissioning	Review of the third sector commissioning arrangements.
Playschemes	Review of bookings, income and risk assessments related to the playscheme operation.
Land Charges	Review of the operation of the land charges service.
DFGs	Review of the Council's role in disabled facilities grant applications.

Three Rivers District Council  
Audit Committee  
28 March 2023

Watford Borough Council and Three Rivers District Council  
Shared Services Draft 2023/24 Internal Audit Plan

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days	Estimated Target Quarter
<b>KEY FINANCIAL SYSTEMS</b>			
Main Accounting – Assurance Mapping	Mapping the various sources of assurance, the associated control framework and identifying any gaps. Areas may include journals, virements, accounting codes and key account reconciliations.	12	Q2
Debt Recovery	Review of debt recovery systems and processes to ensure adequate controls are in place to recover outstanding debts owed to the Councils. Scope to be agreed with management and may involve a detailed review of a restricted number of areas to provide additional assurance over those aspects of these systems. Testing will cover the 2022/23 financial year.	12	Q2
Benefits	Review of the Housing Benefit and Council Tax Support schemes to confirm that controls are adequate and effective. Scope to be agreed with management and may involve a detailed review of a restricted number of areas to provide additional assurance over those aspects of these systems. Testing will cover the 2022/23 financial year.	10	Q3
Payroll	Review of the Payroll system to confirm that controls are adequate and effective. Scope to be agreed with management and may involve a detailed review of a restricted number of areas to provide additional assurance over those aspects of these systems. Testing will cover the 2022/23 financial year.	10	Q3

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days	Estimated Target Quarter
Key Financial Controls Testing	A targeted review of selected financial controls, using data analytics and other tools to provide whole population testing. Specific areas to be determined at the audit planning stage.	10	Q3
<b>OPERATIONAL AUDITS</b>			
Agency Staffing	Review of the monitoring of agency staff spend levels and off-contract spend, agency staff employment rights and recruitment and selection checks and processes.	12	Q2
<b>IT AUDITS</b>			
IT Operations	Review of elements of the IT service against agreed procedures and practices. Scope to be determined at the audit planning stage but will include both third party arrangements and internal elements of the IT service.	15	Q1
Cyber Security	Review of the design and operation of cyber security strategies and arrangements to manage the risk of a cyber-attack.	15	Q4
<b>CONTINGENCY</b>			

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days	Estimated Target Quarter
Contingency	No initial budget set.	0	
<b>2022/23 PROJECTS TO BE COMPLETED</b>			
2022/23 Projects to be completed	Time for completion of 2022/23 audits carried forward into 2023/24 (any unused time will be reallocated).	4	Q1
<b>TOTAL DAYS – WATFORD &amp; THREE RIVERS SHARED SERVICES 2023/24 INTERNAL AUDIT PLAN</b>		<b>100</b>	

**INTERNAL AUDIT START DATES AGREED WITH MANAGEMENT**

**APPENDIX C**

<b>April</b>	<b>May</b>	<b>June</b>	<b>July</b>	<b>August</b>	<b>September</b>
Safeguarding		IT Operations (shared services plan)	Agency Staffing (shared services plan)	Main Accounting – Assurance Mapping (shared services plan)	Debt Recovery (shared services plan)
			Taxi Licensing	Watersmeet Theatre	Performance Management / Data Quality

<b>October</b>	<b>November</b>	<b>December</b>	<b>January</b>	<b>February</b>	<b>March</b>
Key Financial Controls Testing (shared services plan)	Benefits (shared services plan)	Payroll (shared services plan)	Cyber Security (shared services plan)		
Property	Temporary Accommodation	Procurement of Play Areas / Playing Fields	Emergency Planning		

The above is an indicative spread of audits and is subject to change. Significant changes will be brought to the attention of the Audit Committee.

## AUDIT COMMITTEE – 28 MARCH 2023

### PART I – DELEGATED

#### 9. FINANCIAL AND BUDGETARY RISKS (DoF)

##### 1. Summary

1.1 This report advises the Committee on the latest position in respect of the evaluation of financial risks facing the Council for discussion and any recommendations or comments they wish to make.

##### 2. Details

2.1 There have been no changes to the risks included on the Financial and Budgetary Risk Register or risk scores since the last report to Audit Committee. Updates to the action plan have been provided where action has been taken or planned or further information has become available.

2.2 It is proposed to remove risk FIN19 in relation to the risk of delay in receiving capital receipts from the South Oxhey Initiative. This risk can now be closed as the final capital receipt due under the project was received in February 2023.

2.3 Inflation is likely to remain a key risk during 2023/24 and the impact will continue to be closely monitored with the impact reported through the financial monitoring report and budget setting reports.

##### 3. Options and Reasons for Recommendations

3.1 The recommendations allow the Committee to review the financial risks faced by the Council and record any comments it wishes to make in respect of individual risks.

3.2 Agree to remove risk FIN19 from the register as it is now closed.

##### 4. Policy/Budget Reference and Implications

4.1 The recommendations in this report are within the Council's agreed policy and budgets.

##### 5. Financial, Legal, Equal Opportunities, Staffing, Environmental, Community Safety, Public Health, Customer Services Centre, Communications & Website, Risk Management and Health & Safety Implications

5.1 None specific.

##### 6. Recommendation

6.1 That the Committee review the risk register and make any comments it wishes to make against individual risks.

Report prepared by: Hannah Doney, Head of Finance

##### Data Quality

Data sources: Budget Monitoring Reports & Budget setting report (Liberal Democrat)

Data checked by: Head of Finance.

Data rating:

<b>1</b>	<b>Poor</b>	
<b>2</b>	<b>Sufficient</b>	
<b>3</b>	<b>High</b>	√

### **Background Papers**

Impact of Inflation on the Council - paper to Policy & Resources Committee 18 July 2022

### **APPENDICES / ATTACHMENTS**

Appendix 1 - Financial Risk Register



Date risk added to register	Risk ref	Risk owner	Category	Risk description	Comment	Likelihood score (inherent)	Impact score (inherent)	Inherent risk score	Risk controls	Risk control owners	Likelihood score (residual)	Impact score (residual)	Residual risk score	Risk direction	Action plan	Action plan owners	Action plan completion dates
Sep-15	FIN07	Director of Finance	Strategic	The Medium term financial position worsens.	In that the general fund balance falls below the minimum prudent threshold and capital funding is insufficient to meet the capital programme. This appears as item no.8 in the Council's strategic risk register.	4	4	16	The Council has a robust financial management framework which includes regular budget monitoring reports to committees; Budgetary and Financial Risk Register reviewed and updated as part of the budget monitoring process; identification of budgetary pressure when reviewing the medium term financial plan during the budget setting process; Audited Statement of Accounts, including Annual Governance Statement. Currently the 2019/20 annual accounts are awaiting sign off from the external auditors and 2020/21 annual accounts are well progressed.	Head of Finance	3	2	6	→	Regular budget monitoring reports to committees; Budgetary and Financial Risk Register reviewed and updated as part of the budget monitoring process; identification of budgetary pressure when reviewing the medium term financial plan during the budget setting process which includes a risk assessment for the prudent level of general balances and an assessment of financial resilience with reference to the CIPFA Financial resilience index.	Heads of Service/ Head of Finance	Continuous
Apr-06	FIN08	Director of Finance	Budgetary	The pay award exceeds estimates included in the MTFP resulting in unplanned and unsustainable use of reserves.	The Council's 3 year Medium term Financial Strategy includes forecast pay awards for the next three years.	4	3	12	Maintain reserves to guard against risk. Early identification of new pressures through Budget Monitoring.	Head of Finance	2	2	4	↑	The Council's 3 year Medium term Financial Strategy includes forecast pay awards for the next three years. The Council maintains reserves to guard against risk including setting a prudent minimum level for general balances. Early identification of new pressures through Budget Monitoring enable the Council to take steps to bring the budget back into balance.	Head of Finance	Continuous
Apr-06	FIN09	Director of Finance	Budgetary	Other inflationary increases exceed estimates included in the MTFP resulting in unplanned and unsustainable use of reserves.	Other than contractual agreements, budgets are cash limited where possible and budget managers are expected to manage increases within existing budgets.	3	3	9	Monitor future inflation projections. Actively manage budgets to contain inflation. Maintain reserves.	Service Heads/Head of Finance	2	2	4	↑	Monitor future inflation projections. Actively manage budgets and contracts to contain inflation. The Council maintains reserves to guard against risk including setting a prudent minimum level for general balances. Early identification of new pressures through Budget Monitoring enable the Council to take steps to bring the budget back into balance.	Head of Finance	Continuous
Jan-15	FIN10	Director of Finance	Budgetary	Interest rates increase or decrease resulting in significant variations in estimated interest income (investments) or interest expense (borrowing)	The interest rate has a significant impact on the proceeds from capital receipts and other earmarked reserves that are invested in the money market. The volatility of the global economy continues to place uncertainty on the investment strategy.	3	3	9	The Council has a Treasury Management Strategy which is reviewed annually. PIB strategy has diversified interest rate risk to provide income security.	PIB/Head of Finance	2	3	6	→	The Audit Committee receives two reports per year on Treasury Management activity and interest income and expenditure is monitored through the Budget Monitoring Report.	PIB	Continuous

Date risk added to register	Risk ref	Risk owner	Category	Risk description	Comment	Likelihood score (inherent)	Impact score (inherent)	Inherent risk score	Risk controls	Risk control owners	Likelihood score (residual)	Impact score (residual)	Residual risk score	Risk direction	Action plan	Action plan owners	Action plan completion dates
Apr-06	FIN11	Director of Finance	Budgetary	Inaccurate estimates of fees and charges income and / or estimates of cost of delivering chargeable services result in budgetary pressure.	A budget pressure is created due to income shortfalls or increased expenditure	3	2	6	Budget levels realistically set and closely scrutinised	Service Heads/Head of Finance	2	2	4	➡	Fees and charges, including and surplus or loss are monitored through budget monitoring with key income streams reported to CMT.	Service Heads	Continuous
Apr-06	FIN12	Director of Finance	Budgetary	The Council loses the ability to recover VAT as a result of exceeding the partial exemption threshold resulting in budgetary pressure.	If the council's expenditure on functions for which it receives income that is exempt for VAT purposes exceeds 5% of its total vatable expenditure, then the Council may lose its ability to recover VAT on all of its exempt inputs. This is mitigated by close monitoring of exempt supplies and prudent VAT planning. The Council elects to tax on development schemes.	2	4	8	VAT Planning and opt to tax on schemes. VAT advisers employed.	Head of Finance	1	4	4	➡	Partial Exemption Review commissioned. Continue to opt to tax.	Head of Finance	Continuous
Dec-03	FIN13	Director of Finance	Budgetary	The estimated cost reductions and additional income gains set out in the MTFP are not achieved resulting in an unplanned and unsustainable use of reserves.	Savings identified and included in the budget will be monitored as part of the budget monitoring process. See fees and charges above. MTFP agreed for next 3 years.	2	3	6	Service Heads to take responsibility for achieving savings. Budget monitoring to highlight any issues to allow corrective action to be taken.	Service Heads/Head of Finance	2	2	4	➡	Budget process to clearly identify savings to be achieved and ensure clarity over responsibility over delivery. Savings to be challenged.	Head of Finance	Continuous
Apr-06	FIN14	Director of Finance	Budgetary	The Council is faced with potential litigation and other employment related risks	The Council has no outstanding litigation cases.	2	3	6	Council procedures are adhered to	Solicitor to the Council	1	3	3	➡	Adherence to council procedures to be monitored and procedures maintained.	Solicitor to the Council	ongoing

Date risk added to register	Risk ref	Risk owner	Category	Risk description	Comment	Likelihood score (inherent)	Impact score (inherent)	Inherent risk score	Risk controls	Risk control owners	Likelihood score (residual)	Impact score (residual)	Residual risk score	Risk direction	Action plan	Action plan owners	Action plan completion dates
Dec-13	FIN18	Director of Finance	Budgetary	Business Rates Retention fluctuates impacting on the amount of funding received by the Council.	From April 2020 the system was due to be subject to reset and increase to 75% retention resulting in a loss of growth. This has been further postponed to 2025/26. However, the significant revaluations for 2023 introduce additional risk of appeals which could result in a reduction to income.	3	4	12	Maintain reserves against risk.	Head of Finance	3	3	9	→	Hertfordshire CFOs have commissioned work from LG Futures to assess the impact. SDCT also looking at impact nationally.	Director of Finance	Continuous
Mar-16	FIN19	Head of Property Services	Budgetary	Failure to deliver the South Oxhey Initiative to desired outcomes and objectives resulting in a delay in the capital receipt	The Capital Receipts in relation to this project have been received.	2	3	6	Project management team appointed to advise Council; Project management processes in place and reviewed regularly; Policy and Resources Committee receive regular reports on progress of project	Head of Property Services	2	2	4	→	Continue to manage project	Head of Property	Continuous
Jul-16	FIN20	Director of Finance	Budgetary	Failure of ICT systems	The Council's integrated Financial Management System (FMS) is held on an ICT platform. If this were to fail then potentially there will be a loss of functionality occurring during any downtime	3	2	6	System migrated to latest version. Payments system updated.	Head of Finance	1	2	2	→	Monitor reliability	Head of Finance	Continuous
Mar-18	FIN21	Director of Finance	Budgetary	Property Investment	The Property Investment Board manage its property portfolio in order to secure additional income to support its general fund.	2	3	6	Portfolio to be actively managed to maintain income levels. Income to be reviewed regularly when MTFP is updated.	Head of Property Services	1	3	3	→	PIB to assume responsibility for ongoing oversight.	Head of Property Services	Continuous

Date risk added to register	Risk ref	Risk owner	Category	Risk description	Comment	Likelihood score (inherent)	Impact score (inherent)	Inherent risk score	Risk controls	Risk control owners	Likelihood score (residual)	Impact score (residual)	Residual risk score	Risk direction	Action plan	Action plan owners	Action plan completion dates
Sep-18	FIN23	Director of Finance	Budgetary	Commercial Investment	The Council has limited options to further improve self sustainability through commercial investment following changes to the the Prudential Code for Capital Finance and changes to PWLB borrowing regulations. Currently there is a	3	2	6	Oversight mechanisms to be put in place to ensure oversight by PIB or similar mechanism. Council to determine approach to risk and level of income dependency within budget.	Head of Finance	2	2	4	→	Monitor new developments. Investments overseen by the cross party Shareholder and Commercial Ventures Panel.	Head of Property Services	Continuous
Nov-19	FIN 24	Director of Finance	Service	Loss of Key Personnel	As the Council becomes more complex in its financial arrangements, key skills become more important.	3	4	12	Improve depth of skills and knowledge. Bring in temporary additional resources as necessary.	Head of Finance	1	3	3	→	Following a revision of job descriptions, minor amendments to the structure, and a successful recruitment campaign over the summer, the Finance team is currently fully staffed. All staff have an annual Personal Development Review which contains smart objectives including objectives related to career development and identification of training needs and opportunities.	Chief Executive/ Director of Finance	Continuous

## AUDIT COMMITTEE – 28 MARCH 2023

### PART I – DELEGATED

#### 10. COMMITTEE'S WORK PROGRAMME

(DoF)

##### 1 Summary

1.1 This report sets out the Audit Committee's latest Work Programme to enable the Committee to make updates as required.

##### 2. Details

2.1 The Audit Committee meets five times per financial year between 1 April and 31 March. The work programme is presented at each meeting of the Committee to enable any changes to be made and to provide Members with updated information on future meetings.

2.2 The work programme includes a rolling annual training programme which is delivered prior to each committee. The following topics form the programme:

- Role of the Audit Committee
- Statement of Accounts
- Treasury Management
- Internal Audit
- Risk Management

2.3 The following items are standing items on the agenda and are presented at each meeting of the Committee:

- Internal Audit Report – SIAS Audit Client Manager
- Financial and Budgetary Risks – Head of Finance
- Committee Work Programme

2.4 The programme of ad hoc reports scheduled to be presented to this Committee in the next 12 months is shown in the table below:

<b>Financial Year 2023/24</b>		
<b>Date</b>	<b>Report</b>	<b>Officer Responsible</b>
30 May 2023	TRAINING: Statement of Accounts <ul style="list-style-type: none"> <li>• Approval of the 2020/21 Accounts and External Auditors Report</li> <li>• Treasury Management Annual Report 2022/23</li> <li>• SIAS Annual Assurance Statement &amp; Internal Audit Annual Report</li> <li>• Approval of the draft Statement of Accounts 2022/23 and Annual Governance Statement</li> <li>• Standing Items</li> </ul>	Head of Finance  Head of Finance and External Auditor Head of Finance  Client Audit Manager  Head of Finance
27 July 2023	TRAINING: Role of the Audit Committee <ul style="list-style-type: none"> <li>• External Annual Audit Letter 2020/21</li> <li>• External Auditor Audit Plan 2021/22</li> <li>• Fraud Annual Report</li> <li>• SIAS Board Annual Report</li> <li>• Standing Items</li> </ul>	Head of Finance  External Auditor External Auditor Fraud Manager Client Audit Manager
28 September 2023	TRAINING: Risk Management <ul style="list-style-type: none"> <li>• Risk Management Framework</li> <li>• Approval of the 2021/22 Accounts and External Auditors Report</li> <li>• External Auditor Audit Plan 2022/23</li> <li>• SIAS Board Annual Report</li> <li>• Standing Items</li> </ul>	Emergency Planning and Risk Manager  Emergency Planning and Risk Manager Head of Finance and External Auditor External Auditor Client Audit Manager
8 December 2023	TRAINING: Treasury Management <ul style="list-style-type: none"> <li>• Treasury Management Mid-Year Report 2023/24</li> <li>• Draft Treasury Management Strategy Statement 2024/25</li> <li>• External Audit Annual Letter 2021/22</li> <li>• Approval of the 2022/23 Accounts and External Auditors Report</li> <li>• Standing Items</li> </ul>	Head of Finance  Head of Finance Head of Finance  External Auditors Head of Finance and External Auditor

21 March 2024	<p>TRAINING: Internal Audit</p> <ul style="list-style-type: none"> <li>• Annual Audit Letter 2022/23</li> <li>• Accounting Policies 2023/24</li> <li>• Standing Items</li> </ul>	<p>Client Audit Manager</p> <p>External Auditors Head of Finance</p>
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**3 Options/Reasons for Recommendation**

3.1 The recommendation allows the Committee to determine its work programme.

**4 Policy/Budget Implications**

4.1 The recommendations in this report are within the Council’s agreed policy and budgets.

**5 Financial, Legal, Equal Opportunities, Staffing, Environmental, Community Safety, Customer Services Centre, Website and Risk Management Implications**

5.1 None specific.

**6 Recommendation**

6.1 That the Committee consider and makes necessary changes to its Work Programme.

**Background Papers**

Reports and minutes – Audit Committee

Report prepared by: Hannah Doney – Head of Finance

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