

## THREE RIVERS DISTRICT COUNCIL

**At a meeting of the Audit Committee held in the Penn Chamber, Three Rivers House, Rickmansworth, on Thursday, 21 March 2024 from 7.30 - 8.48 pm**

### **Present:**

Councillor Tony Humphreys (Chair)  
Councillor Ruth Clark (Vice Chair)  
Councillor Jonathan Solomons  
Councillor Ciaran Reed

### **Also in Attendance:**

Councillor Chris Mitchell

### **Officers in Attendance:**

Alison Scott	Director of Finance
Hannah Doney	Head of Finance
Shilpa Manek	Legal & Democratic Services

### **Also in attendance:**

Leigha Britnell	Shared Internal Audit Service (SIAS)
Simon Luk	Ernst and Young (EY)
Reshma Ravikumar	Azets Audit Services

### **AC42/23 APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillors Andrea Fraser, Rue Grewal and Lisa Hudson.

### **AC43/23 MINUTES**

The minutes of the Audit Committee meeting held on Thursday 30 November 2023 were approved subject to the date and attendance being corrected, and the Chair was authorised to sign them as a correct record.

### **AC44/23 NOTICE OF OTHER BUSINESS**

There were no items of other business received.

### **AC45/23 DECLARATIONS OF INTEREST**

There were no declarations of interest received.

### **AC46/23 INTERNAL AUDIT PROGRESS UPDATE REPORT**

The Committee initially received a presentation on internal audit. The presentation included the definition of internal audit, the difference between internal and external audit, the requirement for IA, the role of IA in the governance framework, the delivery models for IA, Annual audit planning, the delivery of individual audit assignments, the Chief Audit Executive and the role of the Audit Committee.

Members asked if there were so many lines of defence, how were local authorities going bankrupt and issues not picked up sooner. It was explained that internal audit looked at specific areas/streams. It was external audit that carried out an overall audit. It was more the function of Committees, Full Council and the Section 151 Officer to be monitoring issues to prevent bankruptcy and the duty of the Audit Committee to flag any concerns. Three Rivers District Council was currently in a good place with no signs of fundamental problems. It was the duty of Councillors and the decisions they made on behalf of residents, that sometimes put the Council in difficult situations. It was asked if communications be put out to reassure residents that the Council was in a good place financially.

The Committee were informed that at the next meeting, the Committee would be reviewing and approving the Annual Governance Statement. The Annual Governance Statement would set out the overall governance arrangements that was there to give assurance to Members that robust governance arrangements were in place to stop failures from occurring.

Then the Committee considered a report by the Shared Internal Audit Service (SIAS) regarding the progress made in delivering the Council's Annual Audit Plan for 2023/24. The report also detailed proposed amendments and the implementation status of all previously agreed audit recommendations. The report also provided an update on Performance Management information as of 8 March 2024.

Ms Leigha Britnell, Client Audit Manager presented the report.

Members commented that it seemed as there were two reports at risk due to year end and resource constraints, was this what occurred every year? It was clarified that it was only 2% behind on the KPIs and it would reach 100% by April 2024. It was well in hand but if it slipped, it would be recorded in the Annual Assurance Statement. There were sufficient staff and scope to complete the audits at the SIAS end, there was not 100% staff at the Council end.

**RESOLVED: that the Committee**

- **Noted that the Internal Audit Progress Report for the period to 8 March 2024.**
- **Approved amendments to the Audit Plan as at 8 March 2024.**
- **Agreed changes to the implementation date for 4 audit recommendations (paragraph 2.5) for the reason set out in Appendices 3 to 7.**
- **Agreed removal of implemented audit recommendations (Appendices 3 to 7)**

**AC47/23      **AUDIT PLAN 2024/25 REPORT****

The Committee received a report from Leigha Britnell, Client Audit Manager, on the proposed Annual Internal Audit Plan for 2024/25. It was reported that the Plan had been approved by CMT and the Governance Group.

It was reported that there were seven operational audits and two corporate audits, alongside the Shared Internal Audit Plan of 93 days of auditing time. A new auditing technique of embedded assurance had been incorporated. This was being trialled for one project in the year to see how it benefitted the Council and to see the outcomes that occurred. Assurance mapping of five days under strategic support, had also been introduced. This looked at the Councils risk registers and mapping what assurance already existed from the second line of defence, internal and external auditors and external regulators. This would highlight gaps where assurance was not provided and use resources in the best possible place.

The following points were made during the discussion:

- Whether the number of days were impacted as a result of elections and other adhoc discussions taking place and these were.
- The cybersecurity internal audit was an annual internal audit. The report for the last one carried out had just been released.

**RESOLVED: That the Committee approved the proposed Three Rivers District Council and the Watford and Three Rivers Shared Services Internal Audit Plans for 2024/25.**

## **AC48/23 STATEMENT OF ACCOUNTS UPDATE**

The Committee considered a report setting out the latest position for external audit of the Statement of Accounts for 2020/21 and 2022/23, and the timetable for the 2023/24 Statement of Accounts.

The report was presented by Hannah Doney, Head of Finance.

It was reported that the 2019/20 Statement of Accounts had finally been signed.

The audit backlog had been previously discussed at the Committee and was a sector-wide, significant issue, only 10% of audits had been completed sector-wide as of 31 December 2023.

Since this issue could not be resolved, a consultation had been published on the steps that the government were proposing to take to manage the issue. The main suggestion was a backstop date, where even if audits had not been completed, auditors had to issue an opinion, even if the audits had not been completed. The initial backstop date proposed was 30<sup>th</sup> September 2024 for audits up to 2022/23. The consultation then referred to a recovery period to rebuild assurance over the sector, over the next five years, with further backstop dates proposed. The first one being the 31 May 2025 for the 2023/24 accounts.

This would have a significant impact and not a perfect solution but a way to move forward. The legislation would require auditors to issue a modified or disclaimed opinion by the backstop date. This would impact future years as there would be no assurance of opening balances and those accounts. This would require additional work and all disclaimers could not be removed as there would not be enough assurance.

The expectation was that once the legislation was laid, EY would move to disclaim the audit opinions for 2020/21, 2021/22 and 2022/23.

There was not a provision within the proposals for the Value for Money (VfM) commentary to be disclaimed and EY had started the VfM work element for each of those years.

The good news that was reported was that progress was being made with the new firm Azets. Azets were new to the local authority audits in England, they had no backlog of audits coming with them. This thankfully resulting in them coming in and working with us completing a lot of the onboarding work and they had been on site to complete the interim testing.

In the subsequent discussion, Alison Scott and Hannah Doney responded to questions and matters raised by Members of the Committee.

The Team were thanked for finally getting the 2019/20 accounts signed.

**RESOLVED: that the Audit Committee**

- **Have noted the update in relation to the 2021/22 and 2022/23 external accounts.**

- Have noted the progress in relation to onboarding the new external auditors for 2023/24.
- Have ratified the Accounting Policies for 2023/24 as approved by the Director of Finance as set out in Appendix 4.

#### **AC49/23 EXTERNAL AUDITOR UPDATE**

The Committee received a verbal update from Mr Simon Luk, EY, the Councils External Auditors.

It was reported that the 2019/20 accounts had now been signed. With respect to the 2020/21, 2021/22 and 2022/23 accounts, as already mentioned, a consultation was taking place and EY would agree their approach after the consultation was complete and a decision was reached by central government. The work had begun for the Value for Money work and good progress was being made with a report being presented at the next meeting.

In the subsequent discussion, Mr Luk, Alison Scott and Hannah Doney responded to questions raised by Members of the Committee.

Ms Reshma Ravikumar, Senior Manager, Azets, commented that they had begun to look at the 2023/24 audit and sufficient progress had been made. There were still some outstanding work, however, there had been no errors or concerns found. A detailed progress report would be brought to the next Committee meeting. Work was being completed by Azets on the consultation and how as a firm the assurance could be built in over the next five years.

**RESOLVED:** To note the External Auditor Update

#### **AC50/23 AUDIT COMMITTEE WORK PROGRAMME**

The Committee considered a report by the Head of Finance recommending that the Committee consider and make any changes to its work programme.

**RESOLVED:** That the Committee noted the report.

**CHAIR**