

AUDIT COMMITTEE

NOTICE AND AGENDA

For a meeting to be held in the Penn Chamber, Three Rivers House, Northway, Rickmansworth on Thursday, 25 July 2024 at 7.30 pm

Members of the Committee:-

Councillors:

Tony Humphreys (Chair)
Lisa Hudson
Khalid Hussain
Raj Khiroya
Keith Martin

Tom Smith (Vice-Chair)
Ciaran Reed
Ian Morris
Abbas Merali

*Joanne Wagstaffe, Chief Executive
Wednesday, 17 July 2024*

The Council welcomes contributions from members of the public on agenda items at the Audit Committee meetings. Details of the procedure are provided below:

For those wishing to speak:

Members of the public are entitled to register and identify which item(s) they wish to speak on from the published agenda for the meeting. Those who wish to register to speak are asked to register on the night of the meeting from 7pm. Please note that contributions will be limited to one person speaking for and one against each item for not more than three minutes.

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 be given the right to speak on that item at the next meeting of the Committee.

Those wishing to observe the meeting are requested to arrive from 7pm.

In accordance with The Openness of Local Government Bodies Regulations 2014 any matters considered under Part I 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 Legislation and the laws of libel and defamation.

1. APOLOGIES FOR ABSENCE

To receive any apologies for absence and to note the presence of any substitute members.

2. DECLARATIONS OF INTEREST

To receive any declarations of interest.

3. MINUTES OF PREVIOUS MEETING

(Pages 5
- 8)

To confirm as a correct record the minutes of the meeting of the Audit Committee held on 30 May 2024.

4. ANNUAL FRAUD REPORT 2024

(Pages 9
- 14)

To consider a report that informs Members of the work of the Fraud Section for the financial year 2023-2024 and to date and provides updates on progress and developments.

Recommendation:

That the Committee notes the Annual Fraud Report 2024.

5. TREASURY MANAGEMENT ANNUAL REPORT

(Pages
15 - 30)

To consider the Treasury Management Annual Report. This Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2023/24.

Recommendation:

That the Committee notes the Treasury Management Annual Report.

6. SHARED INTERNAL AUDIT SERVICE (SIAS) BOARD ANNUAL REPORT

(Pages
31 - 44)

To consider the Shared Internal Audit Service's (SIAS) Board Annual Report.

Recommendation:

That the Committee notes the Shared Internal Audit Service's (SIAS) Board Annual Report.

7. INTERNAL AUDIT UPDATE

(Pages
45 - 90)

To consider the Internal Audit Update Report which details progress made by the Shared Internal Audit Service (SIAS) in delivering the Council's annual audit plan for 2024/25, proposed amendments to the plan, implementation status of all agreed audit recommendations from 2019/20 and an update on performance management.

Recommendations:

- i. Note the Internal Audit Progress Report for the period to 12 July 2024.
- ii. Approve amendments to the Audit Plan as at 12 July 2024.

- iii. Agree changes to the implementation date for 8 audit recommendations (paragraph 2.5) for the reason set out in appendices 3 to 7.
- iv. Agree removal of implemented audit recommendations (appendices 3 to 7).

8. AUDIT COMMITTEE WORK PROGRAMME

(Pages
91 - 94)

Recommendation:

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

General Enquiries: Please contact the Committee Team at
committeeteam@threerivers.gov.uk

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THREE RIVERS DISTRICT COUNCIL

At a meeting of the Audit Committee held in the Penn Chamber, Three Rivers House, Rickmansworth, on Thursday, 30 May 2024 from 7.30 - 7.57 pm

Present: Councillors Tony Humphreys (Chair), Lisa Hudson, Khalid Hussain, Raj Khiroya, Jonathan Solomons, Tom Smith, Ciaran Reed, Rue Grewal and Keith Martin.

Officers in Attendance:

Alison Scott, Katharine Simpson, Sharon Keenlyside.

External in Attendance: Leigha Britnell (Client Audit Manager), Paul Grady (Azets Audit Services), Simon Luk (Ernst and Young)

AC1/24 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor Ian Morris.

AC2/24 DECLARATIONS OF INTEREST

There were none.

AC3/24 MINUTES OF PREVIOUS MEETING

The minutes of the Audit Committee meeting held on 21 March 2024 were approved and signed by the Chair as a correct record.

AC4/24 EXTERNAL AUDIT UPDATE

The Committee had received an interim progress report from Azets, the Councils External Auditors.

Paul Grady, Key Partner Azets, presented the report which set out the progress made to date and any issues which would impact the final accounts audit. The report also contained the Audit Plan which set out the risks and an over-arching risk that could become relevant once Ernst and Young (EY) had completed their work in relation to the prior year audit.

Paul Grady commented that everything planned had been achieved and engagement with management and the Finance team had been strong. Responses to a range of planning and interim requests had been received. Azets were in a good position for the commencement of the 2023/24 Final Accounts Audit in September.

Members discussed with Paul Grady the various implications for the external audit if the Government proposal for the “backstop” date was delayed or scrapped.

The Committee received a verbal update from Simon Luk, Ernst and Young, the Councils External auditors and were informed that the Value for Money work had been conducted and the report was waiting to be finalized. EY was waiting for clarity over the ‘backstop’ issue and as soon as this had been confirmed, EY would update the Committee.

Members asked EY about the extra fees discussed at the last meeting and asked when EY would formally put in the request. EY stated that they had submitted it centrally to Public Sector Audit Appointments (PSAA).

Members thanked the external auditors for their updates.

RESOLVED: to note the External Auditor Update.

AC5/24 STATEMENT OF ACCOUNTS AND ANNUAL GOVERNANCE STATEMENT 2023/24

The Committee received a report from Alison Scott, Director of Finance, which set out the draft Statement of Accounts 2023/24 and sought approval for the Annual Governance Statement.

The Director of Finance confirmed that the Statement of Accounts would be published by the deadline of close of business on 31 May 2024. At the same time, updated versions of 2020/21, 2021/22 and 2022/23 would also be published. This would ensure that there would be a full set of accounts to give to the auditors when they started their audit. Once published, the public inspection period would start in June.

The deadline for the audit of the 2023/24 accounts would move in line with the Governments proposal for a 'backstop date', expected to be 30 September 2024, but was yet to be confirmed.

The Annual Governance Statement was required to be published every year and was approved by the Chief Executive and Leader of the Council. The role of the Audit Committee was to review and approve the Annual Governance Statement.

At the same time, a self-assessment had been completed against the Chartered Institute of Public Finance and Accounting (CIPFA) Code of Practice. There had been one issue rated Amber, which was the audit of accounts. These had not taken place because of the national problem.

RESOLVED: that the Committee

- (1) Approved the Annual Governance Statement 2023/24.**
- (2) Noted that the Director of Finance would authorise for issue a Draft Statement of Accounts 2022/23 for public inspection by 31 May 2024.**

AC6/24 SHARED INTERNAL AUDIT SERVICE'S ANNUAL ASSURANCE STATEMENT AND INTERNAL AUDIT ANNUAL REPORT

The Committee received a report prepared by Hannah Doney, Head of Finance. The report set out the Shared Internal Audit Service's (SIAS) overall opinion on the adequacy and effectiveness of Three Rivers District Council's (the Council) framework of governance, risk management and control. Reference was made to significant matters and key themes. It gave the outcomes of the self-assessment against the Public Sector Internal Audit Standards (PSIAS) which incorporated the requirements of the Quality Assurance and Improvement Programme (QAIP), summarised the audit work that had informed this opinion, showed SIAS performance in respect of delivering the Council's audit plan and presented the 2024/25 Audit Charter for approval.

Leigha Britnell, Client Audit Manager, presented the report and highlighted the following sections of the report:

Paragraph 2.10 – the Council provided two assurances on the Council's adequacy and effectiveness of the Council's control environment, one for financial systems and one for non-financial systems. For both systems, the Council provided Reasonable Assurance. Some issues, non-compliance or scope for improvement, were identified which may put at risk the objectives in the area audited. However, none of the recommendations of the audited areas were classed as priority.

Paragraph 3.2 – A total of 19 projects were undertaken, 16 were classed as having substantial or reasonable assurance.

Paragraph 4.1 – The Council had achieved its' performance indicators for delivery. One audit remained in draft form due to the manager being on sick leave.

Indicator 4 Client Satisfaction showed 50% satisfaction but there were only two returns to base the analysis on. If clients were dissatisfied regarding the 19 projects, they would have submitted a return, so it was assumed that 18 of the 19 projects were satisfactory. The project identified as being below the satisfactory threshold of 39 was only one point below. The points raised were always taken seriously and had been shared appropriately for improvement.

For performance indicator 6, it was confirmed that the Annual Plan was produced for the March Audit Committee.

The Client Audit Manager and Director of Finance confirmed that there had been no barriers to the Council's independence, to assure the Committee that the scope and resources for the internal audit were not subject to inappropriate limitation in 2023/24.

RESOLVED: that the Committee

- (1) noted the Annual Statement and Internal Audit annual Report,**
- (2) noted the results of the self-assessment required by the Public Sector Internal Audit Standards (PSIAS) and the Quality Assurance and Improvement Programme (QAIP),**
- (3) approved the SIAS Audit Charter 2024/25,**
- (4) had sought management assurance that the scope and resources for internal audit were not subject to inappropriate limitations in 2023/24.**

AC7/24 AUDIT COMMITTEE WORK PROGRAMME

Alison Scott, Director of Finance informed the Committee that the meeting to be held on 4 July 2024 had been cancelled due to the General Election. The two July meetings would be combined and held on 25 July.

RESOLVED: that the Committee noted the report.

CHAIR

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AUDIT COMMITTEE
Thursday, 25 July 2024

PART I

Annual Fraud Report 2024
(DoF)

1 Summary

1.1 This report informs Members of the work of the Fraud Section for the financial year 2023-2024 and to date and provides updates on progress and developments.

2 Details

2.1 The fraud service is provided in house as part of the finance shared service between Three Rivers DC and Watford BC. Three Rivers DC is the lead authority and employs the staff within the service. The details below apply to both councils unless otherwise stated.

2.1.1 The councils have a zero tolerance of fraud and corruption.

2.1.2 Minimising fraud and irregularity is essential to ensure resources intended to provide services are maintained. Fraud is the most commonly experienced crime in the UK, accounting for around 41% of all crime. In the public sector, it is estimated that at least £33.2 billion of taxpayer money is lost to fraud and error each year. Fraud is a crime that affects everyone.

2.1.3 Furthermore, It is estimated from the National Fraud and Error report by the Department for Work and Pensions (DWP) for the financial year ending 2023 that Housing Benefit overpayments classified as Fraud nationally amounted to £520m (3.5%). In respect of Universal Credit (including housing costs) fraud estimates amounted to £5,010m (11.5%). These statistics are derived from a 0.06% sample of benefit claims randomly selected from DWP's administrative systems (around 13,600 cases were sampled). The number of Housing Benefit payments made by the Councils are reducing year on year as customers migrate to Universal Credit which includes payment of housing costs where appropriate. From December 2015 housing benefit only investigations migrated to the DWP following the Governments creation of the Single Fraud Investigation Service (SFIS). The DWP must investigate all Housing Benefit allegations and powers previously available to the Council to investigate were removed.

2.1.4 The harm caused by fraud is not just financial: it damages local communities, can cause reputational damage and a loss of confidence amongst the public, stakeholders and have an adverse effect on staff morale. Fraudsters are a committed, capable and evolving adversary and the public sector is just as affected by this crime as other sectors.

2.1.5 It is vital therefore that we have a strong anti-fraud culture underpinned with effective counter-fraud policies and good practices and procedures.

2.1.6 Fraud does not fit neatly within geographical boundaries of the councils. Therefore the fraud team have an important role in collaborative working involving the exchange of information and intelligence between the council and other agencies. It is the

conduit for identifying and sharing emerging fraudulent threats in the form of alerts through its membership of anti-fraud forums and specialist providers including the Fighting Fraud and Corruption Locally Board (FFCLB), the Credit Industry Fraud Avoidance Service (CIFAS), Certified Institute of Public Finance and Accountancy (CIPFA) Finance, National Fraud Intelligence Bureau (NFIB), Fraud Advisory Panel (FAP) and the National Anti-Fraud Network (NAFN).

2.1.7 The Anti-Fraud & Corruption Strategy (AFCS) , the mechanism for achieving a commitment to reduce losses to fraud and corruption, was revised and approved in 2022 and remains current. The AFCS is supported with the Sanctions Policy and Anti Bribery Policy. The Sanctions Policy sets out the Councils policy towards sanctions, including criminal prosecutions, relating to offences committed by both internal (e.g. employees, members, contactors, etc.) and external offenders. The Anti Bribery Policy, provides a framework to enable employees and Members to understand and implement arrangements enabling compliance.

2.1.8 The objectives set out in the AFCS are;



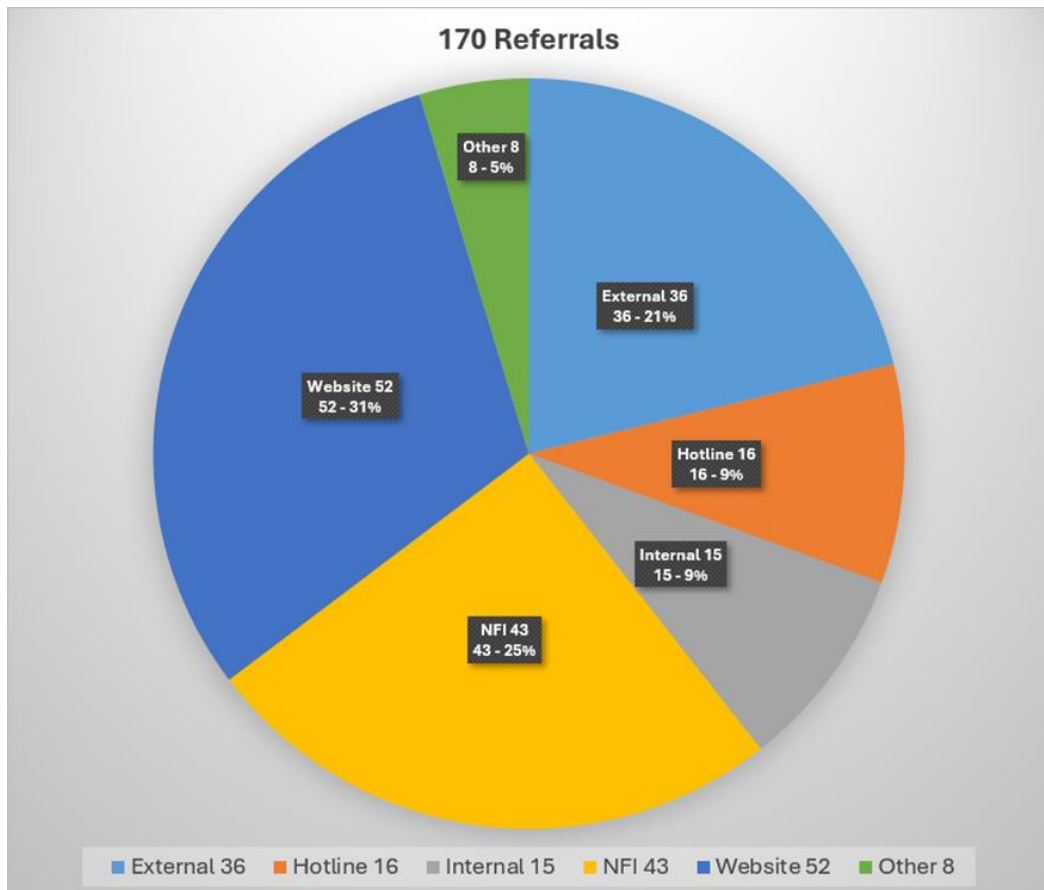
2.1.9 The councils Regulation of Investigatory Powers Act 2000 (RIPA) policy was also revised to reflect and align with the new codes of practice and authorising officers.

2.1.10 The fraud team no longer reviews bulk council tax discounts and exemptions. This service is now provided by NEC Software Solutions in partnership with Herts County Council and a county wide initiative.

2.1.11 Joint working with the DWP still remains limited despite a desire from the councils across Hertfordshire. Discussions with them at a senior leadership level continue with a commitment from the DWP to review their resources at an operational level in Herts and Beds. Currently we have 4 Joint investigations with the DWP.

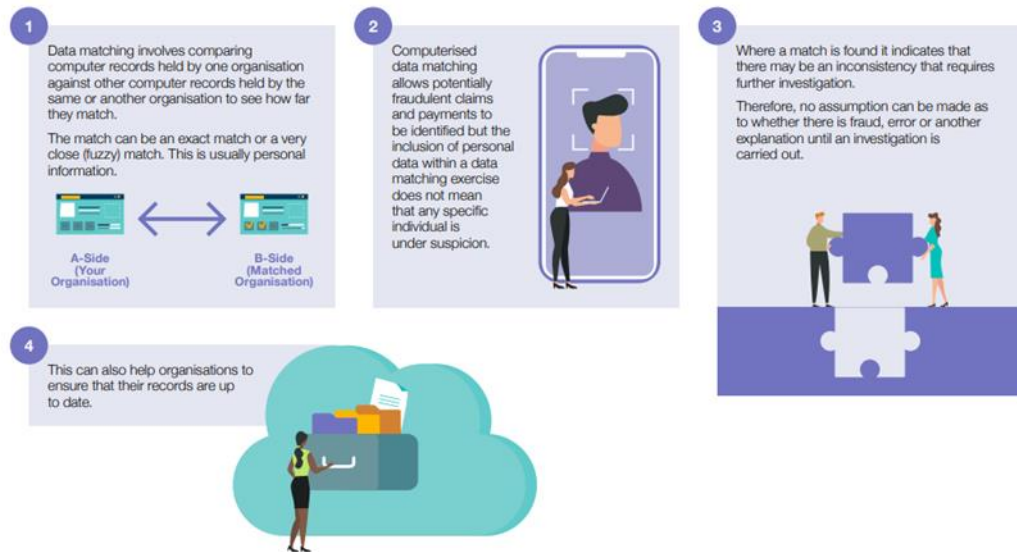
2.1.12 During 2023/24 we responded to 36 requests for intelligence. This involves sharing information legally for the correct purpose and includes providing witness testimony.

2.1.13 Details of referrals received are shown in the table below;



- 2.1.14 We responded to 75 requests for information known as a LAIEF (Local Authority Information Exchange Form) from the DWP. The lawful requests for intelligence and information vary from evidencing documentation held to providing overpayment adjustments and respective supporting witness testimony.
- 2.1.15 In respect of Council Tax Reduction, a local legal framework is in place to define who is entitled to the reduction and to reduce fraud from entering the system at inception. It is an integral part of the administration that everyone is aware and vigilant of the risks. Unfortunately, however good the administration of benefits is, it is always likely fraud will enter the system by deliberate acts.
- 2.1.16 In April 2024 the Council introduced a revised Council Tax Reduction (CTR) scheme. The previous scheme having been introduced in April 2013 as a replacement for the Council Tax Benefit scheme. The new scheme is divided into two, with pension age applicants receiving reduction under the rules prescribed by Government, and the scheme for working age applicants being determined by the Council. The new discount scheme is intended to be less reactive to changes in circumstances and less costly to administer. Only significant changes in income would affect the level of discount. Furthermore, those recipients in receipt of Council Tax Reduction calculated using their passported benefit Universal Credit (UC) would have to be investigated the Department for Work and Pensions if it is suspected their UC rate is incorrect or fraudulent. Currently we have 24 CTR investigations.
- 2.1.17 A total of 129 cases were completed with overpayments relating to national benefits of circa £63,000.
- 2.1.18 Data Matching

What is data matching?



2.1.19 The service continues to take part in data-matching exercises. These include the National Fraud Initiative (NFI) which is facilitated by the Cabinet Office and now incorporated into the Data and Intelligence Services of the Public Sector Fraud Authority (PSFA). The PSFA was launched by the Government in August 2022. It is an exercise that brings together a wide range of organisations, working together to tackle fraud using techniques to compare information about individuals held by different public bodies, and on different financial systems, to identify circumstances (matches) that might suggest the existence of fraud or error. Participants of the NFI include 1200 organisations that comprise of other local authorities, police authorities, NHS bodies etc. These matches are not just confined to fraud but also include erroneous payments in respect of creditors and payroll. Examples of some matches are shown below;

Data Match	Possible fraud/ error
Council Tax payments to payroll records, student loans, taxi drivers	Claiming discounts or reductions by failing to disclose an income
Payroll records to records of failed asylum seekers and records of expired visas	Obtaining employment while not entitled to work in the UK
Council Tax records to electoral register	A council tax payer gets single person's discount and has not declared other persons living in the property
Payroll records to other payroll records	An employee is working for the council but has employment elsewhere that is not declared.
Immigration matches	To identify instances where the person may not be entitled to benefit because of their immigration status.
Housing waiting lists	To identify possible cases where an individual appears to be resident at two

	different addresses. For example where an address differs from the one they have declared on their waiting list application
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2.1.20 The following information relates to the current exercise to date;

WBC	Matches closed	807
TRDC	Matches closed	693
WBC	Investigations ongoing	16
TRDC	Investigations ongoing	10
WBC	Matches closed not set as error or fraud	774
TRDC	Matches closed not set as error or fraud	614
WBC	Matches closed as error	33
TRDC	Matches closed as error	79

2.1.21 Three Rivers DC – NFI estimate the savings attributable to having removed applicants from the housing waiting lists to be £316,942.

Watford BC - NFI estimate the savings attributable to having removed applicants from the housing waiting lists to be £118,747. In addition there were savings of £1436 for duplicate creditor payments now repaid.

2.1.22 The Fraud Service is currently engaged in conducting verification checks for Three Rivers DC in respect of Business Energy Efficiency Grants.

2.1.23 A service re- design is being considered to deliver savings to both Councils.

3 Options and Reasons for Recommendations

3.1 The purpose of this report is to inform Members of the work of the Fraud Section for the financial year 2023-24 and to date.

4 Policy/Budget Reference and Implications

4.1 The recommendations in this report are within the Council's agreed policy and budgets. The relevant policy is entitled Anti Fraud and Corruption Strategy and was agreed on 12 September 2022 (PR/49).

None specific.

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

Report prepared by: Garry Turner, Fraud Manager, garry.turner@threerivers.gov.uk

Data Quality

Data sources: Incase, NFI

Data checked by: Garry Turner, Fraud Manager

1	Poor	
2	Sufficient	x
3	High	

APPENDICES / ATTACHMENTS

AUDIT COMMITTEE – 25 JULY 2024 PART I – DELEGATED

TREASURY MANAGEMENT ANNUAL REPORT 2023/24 (DoF)

Summary

1.1 Purpose of the report

1.1.1 This Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2023/24. This report meets the requirements of both the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management, (the Code), and the CIPFA Prudential Code for Capital Finance in Local Authorities, (the Prudential Code).

1.1.2 During 2023/24 the minimum reporting requirements were that the full Council should receive the following reports:

- An annual treasury strategy in advance of the year (Council February 2022)
- A mid-year year review (December Audit Committee)
- An annual review following the end of the year describing activity compared to the strategy, (this report)

1.1.3 The regulatory environment places responsibility on members for the review and scrutiny of treasury management policy and activities. This report provides details of the year end position for treasury activities and highlights compliance with the Council's policies previously approved by members.

1.1.4 This Council confirms that it has complied with the requirement under the Code to give scrutiny to all of the above treasury management reports by the Audit Committee. Following scrutiny by the Audit Committee, the report will be presented to Full Council in October.

1.2 Key Prudential and Treasury Indicators

1.2.1 During 2023/24, the Council complied with its legislative and regulatory requirements. The key actual prudential and treasury indicators detailing the impact of capital expenditure activities during the year, with comparators, are as follows:

Prudential and Treasury Indicators	31.3.23	2023/24	31.3.24
	Actual	Original Budget	Actual
	£m	£m	£m
Total Capital Financing Requirement	24.786	34.550	24.761
Gross borrowing	8.000	8.000	8.000
External debt	8.000		8.000
Investments	23.216		23.216
Net borrowing / (Investments)	(15.216)		(15.216)

Details

- 2.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) defines treasury management as: “the management of the local authority’s investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks”.
- 2.2 The Council’s 2023/24 Treasury Management Policy, as approved by Council on 21 February 2023, has the primary objectives of safeguarding the repayment of the principal and interest of its investments on time, and then ensuring adequate liquidity, with the investment return being the final objective.
- 2.3 This report provides the Committee with an overview of Treasury Management performance for 2023/24 including the actual prudential and treasury indicators as prescribed by the Prudential Code for Capital Finance (revised 2022) and the Treasury Management Code of Practice (revised 2022).
- 2.4 The Council has appointed treasury advisors to assist with our treasury management, Link Treasury Services Ltd, part of Link Group.
- 2.5 The economic environment has a significant impact on treasury management activity and performance. Information on interest rates for investments and borrowing is contained in the main body of the report. In addition, a commentary on wider economic performance during 2023/24 has been provided by Link Group and is at Appendix 1 to this report.
- 2.6 **The Council’s Capital Expenditure and Financing**
- 2.6.1 The Council’s capital expenditure plans are one of the key drivers of treasury management activity. The outputs of the capital expenditure plans are reflected in prudential indicators, which are designed to assist members’ overview and confirm capital expenditure plans.
- 2.6.2 The Council undertakes capital expenditure on long term assets. These activities may either be:
- Financed immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions etc.), which has no resultant impact on the Council’s borrowing need; or
 - If insufficient financing is available, or a decision is taken not to apply resources, the capital expenditure will give rise to a borrowing need.
- 2.6.3 The actual capital expenditure forms one of the required prudential indicators. The table below shows the actual capital expenditure and how this was financed.

	2022/23 Actual £m	2023/24 Original Budget £m	2023/24 Actual £m
Capital Expenditure	6.616	3.096	6.700
Financed in Year	(10.836)	(1.796)	(6.700)
Unfinanced Capital Expenditure	(4.220)	1.300	0.000

2.7 The Council's Overall Borrowing Need

2.7.1 The Council's underlying need to borrow for capital expenditure is termed the Capital Financing Requirement (CFR). This figure is a gauge of the Council's indebtedness. The CFR results from the capital activity of the Council and resources used to pay for the capital spend. It represents the cumulative unfinanced capital expenditure (see above table) which has not yet been paid for by revenue or other resources.

2.7.2 Part of the Council's treasury activities is to address the funding requirements for this borrowing need. Depending on the capital expenditure programme, the treasury service organises the Council's cash position to ensure that sufficient cash is available to meet the capital plans and cash flow requirements. This may be sourced through borrowing from external bodies, (such as the Government, through the Public Works Loan Board [PWLB], or the money markets), or utilising temporary cash resources within the Council.

2.7.3 The Council's underlying borrowing need (CFR) is not allowed to rise indefinitely. Statutory controls are in place to ensure that capital assets are broadly charged to revenue over the life of the asset. The Council is required to make an annual revenue charge, called the Minimum Revenue Provision (MRP), to reduce the CFR. This is effectively a repayment of the borrowing need. This differs from the treasury management arrangements which ensure that cash is available to meet capital commitments. External debt can also be borrowed or repaid at any time, but this does not change the CFR.

2.7.4 The total CFR can also be reduced by:

- the application of additional capital financing resources, (such as unapplied capital receipts); or
- charging more than the statutory revenue charge (MRP) each year through a Voluntary Revenue Provision (VRP).

2.7.5 The Council's 2023/24 MRP Policy, (as required by DLUHC Guidance), was approved as part of the Treasury Management Strategy Report for 2023/24 on 21 February 2023.

2.7.6 The Council's CFR for the year is shown below and is a key prudential indicator.

Capital Financing Requirement	2022/23	2023/24	2023/24
	Actual	Original Budget	Actual
	£m	£m	£m
Opening CFR relating to Capital programme	29.194	25.786	24.786
Add unfinanced Capital Expenditure (as above)	(4.220)	1.300	0.416
Less MRP	(0.188)	(0.172)	(0.413)
Less repayment of capital loans	0.000	0.000	(0.028)
Total Closing CFR	24.786	26.914	24.761
Movement in the CFR	(4.408)	1.128	(0.025)

Note 1: The CFR may be subject to revision following the completion of the outstanding prior year accounts audits

2.7.7 The CFR should include finance leases on the balance sheet, which increase the Council's borrowing need. Although, no external borrowing is required against these schemes as a borrowing facility is included within the contract. The Council's acquisition of the headlease for three hospitality units during the year must be accounted for as a finance lease under proper accounting practices. The associated asset and liability will be brought onto the Council's balance sheet in the 2022/23 accounts following the receipt of the annual asset valuations. This will require the CFR to be restated.

2.8 Limits to Borrowing Activity

2.8.1 Borrowing activity is constrained by prudential indicators for gross borrowing and the CFR, and by the authorised limit.

2.8.2 In order to ensure that borrowing levels are prudent over the medium term and only for a capital purpose, the Council should ensure that its gross external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year (2022/23) plus the estimates of any additional capital financing requirement for the current (2023/24) and next two financial years. This essentially means that the Council is not borrowing to support revenue expenditure. This indicator allowed the Council some flexibility to borrow in advance of its immediate capital needs in 2023/24. The table below highlights the Council's gross borrowing position against the CFR. The Council has complied with this prudential indicator.

Borrowing and the CFR	2022/23	2023/24	2023/24
	Actual	Original Budget	Actual
	£m	£m	£m
Gross borrowing position	8.000	8.000	8.000
CFR	24.786	26.914	24.761
Under funding of CFR (internal borrowing)	(16.786)	(18.914)	(16.761)

2.8.3 The **authorised limit** is the "affordable borrowing limit" required by s3 of the Local Government Act 2003. Once this has been set, the Council does not have the power to borrow above this level without the agreement of full council. The table below demonstrates that during 2023/24 the Council has maintained gross borrowing within its authorised limit.

2.8.4 The **operational boundary** is the expected borrowing position of the Council during the year. Periods where the actual position is either below or over the boundary are acceptable subject to the authorised limit not being breached.

2.8.5 **Actual financing costs as a proportion of net revenue stream** - this indicator identifies the trend in the cost of capital, (borrowing and other long term obligation costs net of investment income), against the net revenue stream.

2023/24	Capital Investment
	£m
Authorised limit	42.000
Maximum gross borrowing position during the year	8.000
Operational boundary	30.000
Average gross borrowing position	8.000
Financing costs as a proportion of net revenue stream (net income)	-4.52%

2.8.6 External borrowing is well below the operational boundary for external debt predominantly due to re-phasing of the capital programme during the year. The difference between the CFR and external borrowing is met by internal borrowing. This is the use of cash balances (arising from working capital, earmarked reserves and general balances) to finance the expenditure on a short-term basis.

2.9 Treasury Position as at 31 March 2024

2.9.1 The Council's treasury management debt and investment position is organised by the treasury management service in order to ensure adequate liquidity for revenue and capital activities, security for investments and to manage risks within all treasury management activities. Procedures and controls to achieve these objectives are well established both through member reporting detailed in the summary, and through officer activity detailed in the Council's Treasury Management Practices. At the end of 2023/24 the Council's treasury position (excluding borrowing by finance leases and non-treasury investments) was as follows:

Debt Portfolio	31.3.23 Principal	Rate/ Return	Average Life	31.3.24 Principal	Rate/ Return	Average Life
	£m	%	Years	£m	%	Years
Fixed rate financing:						
PWLB	8.000	2.41%	45.5	8.000	2.41%	44.5
Total debt	8.000	2.41%	46.5	8.000	2.41%	45.5
CFR	24.786			24.761		
Over / (under) borrowing	(16.786)			(16.761)		
Total investments	29.598			22.988		
Net debt / (Investments)	(21.598)			(14.988)		

The maturity structure of the debt portfolio was as follows:

	31.3.23 Actual	2023/24 original upper limits	31.3.24 Actual	31.3.24 Actual
	£m	%	£m	%
Within 50 years	8.000	100%	8.000	100%

Investment Portfolio	31.3.23 Actual £m	31.3.23 Actual %	31.3.24 Actual £m	31.3.24 Actual %
Treasury investments				
Banks	8.926	32.81%	0.000	0.00%
Local and Police authorities	5.000	18.38%	10.000	48.85%
DMADF (H M Treasury)	13.275	48.80%	10.470	51.15%
Total managed in house	27.201	91.90%	20.470	89.05%
Short Term Fixed Income	2.397	100.00%	2.518	100.00%
Total managed externally	2.397	8.10%	2.518	10.95%
Total Treasury Investments	29.598	100.00%	22.988	100.00%
Non-Treasury investments				
Loans to Joint Ventures	4.695	83.69%	4.695	83.69%
Other Long Term Loans	0.915	16.31%	0.915	16.31%
Total Non-Treasury Investments	5.61	100.00%	5.61	100.00%
Treasury investments	29.598	84.07%	22.988	80.38%
Non-Treasury investments	5.61	15.93%	5.61	19.62%
Total of All Investments	35.208	100.00%	28.598	100.00%

The maturity structure of the treasury investment portfolio was as follows:

	31.3.23 Actual £m	2023/24 Maximum £m	31.3.24 Actual £m
Longer than 1 year	0	10	0
Up to 1 year	29.598	n/a	22.988
Total	29.598		22.988

2.9.2 The Council also has commercial investments in property which are governed by the Investment Guidance issued by the Department for Levelling Up, Housing and Communities. The performance of the Property Investment Portfolio is overseen by the Shareholder and Commercial Ventures Panel. As such, it is not included in this report.

2.10 The Strategy for 2023/24 – Borrowing

1.1.1 When the Capital Strategy and Treasury Management Policy was set in January 2023, interest rate forecasts indicated that short, medium and longer-term fixed borrowing rates were expected to peak in the first quarter of 2023, with rates likely to begin falling during the year. It was determined that should any borrowing be required during the year it would likely be on the basis of a cash need to borrow, and that any such borrowing would be taken at the short end of the market as this would avoid locking in long-term costs while interest rates were elevated, with the prospect of lower long-term rates on the horizon.

2.11 Borrowing Activity

- 2.11.1 During the year no new borrowing was undertaken.
- 2.11.2 The Council's current external borrowing portfolio is comprised of one loan of £8.000m from the Public Works Loan Board (PWLb). The loan is a long-term loan with repayment on maturity, reflecting the expectation that the Council will have a long-term borrowing requirement. The loan commenced in March 2019 and will run to September 2068 (49.5 years) at an annual interest rate of 2.41%.
- 2.11.3 Total interest payable for the year was £0.193m.
- 2.11.4 The Council has not borrowed more than, or in advance of its needs, purely to profit from the investment of the extra sums borrowed.
- 2.12 The Strategy for 2023/24 – Investments**
- 2.12.1 In accordance with the CIPFA Prudential Code, it is the Council's priority to ensure security of capital and liquidity, and to obtain an appropriate level of return which is consistent with the Council's risk appetite.
- 2.12.2 During the year, investment returns increased as central banks attempted to address persistent high inflation with tighter monetary policy, recognising that the inflationary increases seen during 2022/23 were not transitory and had not peaked. The Bank of England base rate was 4.25% on 1 April and moved up in stepped increases of either 0.25% or 0.5% throughout 2023/24, reaching 5.25% by the end of the financial year.
- 2.12.3 As a result of persistently higher rates the short-term cash deposits and other Specified Investments (investments of less than a year in duration) have remained an attractive asset class when compared to bonds, equity, and property.
- 2.12.4 This has placed greater emphasis on proactive cashflow management and forecasting, as, for the first time in over a decade, cash balances (even relatively low values held for daily liquidity) are able to generate a significant contribution to the revenue budget through interest received.
- 2.13 Investment Activity**
- 2.13.1 The Council's investment policy is governed by DLUHC investment guidance, which has been implemented in the annual investment strategy approved by the Council on 21 February 2023.
- 2.13.2 This policy sets out the approach for choosing investment counterparties and is based on credit ratings provided by the three main credit rating agencies, supplemented by additional market data, (such as rating outlooks, credit default swaps, bank share prices etc.).
- 2.13.3 Credit rating information is supplied by our treasury consultants, Link Group, on all counterparties that comply with the Council's criteria. Any counterparty failing to meet the criteria would be omitted from the counterparty (dealing) list. Any rating changes, rating watches (notification of a likely change), rating outlooks (notification of a possible longer term change) are provided to officers almost immediately after they occur and this information is considered before dealing.
- 2.13.4 There were no changes to the Council's counter party list during the year.
- 2.13.5 The policy also set out the following liquidity facilities/benchmarks to maintain:

- Authorised bank overdraft of £nil.
- Liquid short term deposits of at least £0.500m available with a week's notice.

2.13.6 The liquidity arrangements were adequate during the year.

2.13.7 The investment activity during the year conformed to the approved strategy with one exception:

- A technical breach of the approved counterparty limit with the Council's own bank, Lloyds Bank Plc for a period of one night in February 2024, when a failure of Lloyds online banking system meant that it was not possible to settle funds committed to be placed overnight in the DMADF.
- Lloyds fully compensated the Council for lost interest and penalty fees incurred as a consequence of this failure.
- Lloyds have confirmed that the failure resulted from a system hardware fault and was not a result of a malware or a cyber attack.

2.13.8 The Council's cash balances comprise revenue and capital resources and cash flow monies. The Council's core cash resources comprised as follows:

Balance Sheet Resources	31.3.23 £m	31.3.24 £m
General Balances	5.023	4.496
Earmarked reserves	16.569	20.36
Provisions	2.798	3.993
Usable capital receipts	1.847	1.847
Total	26.237	30.696

Note: Values are taken from the unaudited 2023/24 draft Statement of Accounts and may be subject to change following the conclusion of the external audit.

2.13.9 Investments held by the Council:

- The Council maintained an average balance of £30.099m of internally managed funds.
- The internally managed funds earned an average rate of return of 4.78%.
- The comparable performance indicator is the average 7-day Sterling Overnight Index Average (SONIA) rate, which was 4.97%.
- Total investment income from internally managed funds was £1.438m.
- Interest on loans to the Council's joint ventures was £0.418m

2.13.10 The Council keeps all internally managed treasury investments short term. There are no sums invested for greater than 364 days.

2.13.11 Investments held by fund managers:

The Council uses a Short Term Fixed Income fund managed by Royal London Asset Management (RLAM) to invest its longer term cash. The performance of the fund manager against the benchmark return was:

Fund	Investments Held £m		Annualised Return	Annualised Benchmark
	31.3.23	31.3.24	%	%
Short Term Fixed Income	2.397	£2.52	5.05%	4.97%

2.13.12 These investments are held with a long-term view and performance is assessed over medium term horizon of three to five years.

Policy/Budget Reference and Implications

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

Financial Implications

4.1 This report provides formal assurance on the Council's compliance with its Treasury Management Strategy during the year. The Director of Finance confirms that borrowing was only undertaken for a capital purpose and the statutory borrowing limit, (the authorised limit), was not breached. The financial implications are set out in the main body of the report and the impact of interest rates on investment income and borrowing costs have been reported through the financial monitoring report during the year.

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

5.1 None specific arising from this report.

6 Risk Implications

6.1 The Code of Practice on Treasury Management identifies eight key risks that are inherent in Treasury Management activity. The Council's Treasury Management Policy sets out the risks that it is seeking to manage:

1.	Liquidity Risk	That the Council may not have the cash it needs on a day to day basis to pay its bills.	This risk is managed through forecasting and the retention by the Council of an adequate working capital balance. In addition, through the Public Works Loan Board and other organisations, the Council is able to access short term borrowing, usually within 24 hours.
2.	Interest Rate Risk	That the costs and benefits expected do not materialise due to changes in interest rates.	This risk is managed through the placing of different types and maturities of investments, the forecasting and monitoring of the interest budget (with assistance from the Council's retained advisors).

3.	Exchange Rate Risk	That losses or gains are made due to fluctuations in the prices of currency.	The Council does not engage in any significant non-sterling transactions.
4.	Credit and Counterparty Risk	That the entity holding Council funds is unable to repay them when due.	This risk is managed through the maintenance of a list of authorised counterparties, with separate limits to ensure that the exposure to this risk is limited.
5.	Refinancing Risk	That the loans taken by the Council will become due for repayment and need replacing at a time when there is limited finance available or interest rates are significantly higher.	The timing of loan maturities and likely timing of externalization of internal borrowing is monitored along with interest rate forecasts. Officers ensure that due dates are monitored and seek advice from the Council's advisors about when to raise any finance needed.
6.	Legal and Regulatory Risk	That the Council operates outside its legal powers.	This risk is managed through the Council's training and development of Officers involved in Treasury Management, the independent oversight of Internal and External Audit, and the advice (for example on the contents of this strategy) taken from the Council's Treasury advisors.
7.	Fraud, Error and Corruption	The risk that losses will be caused by impropriety or incompetence.	This risk is managed through the controls in the Council's financial procedures. For example, the segregation of duties between those making investment decisions and those transferring funds.
8.	Market Risk	That the price of investments held fluctuates, principally in secondary markets.	The majority of the Council's investments are not traded, but where they are (e.g. Property investment portfolio) the main investments' value comes from the income they generate which is generally long term and secure.

Recommendation

7.1 That the Committee notes the Treasury Management Annual Report.

Report prepared by: Robert Thurlow, Chief Accountant

Data Quality

Data sources: Treasury Management System; KPI Monitoring to SSOB; Link Reports

Data checked by: Robert Thurlow, Chief Accountant

Data rating: Tick

1	Poor	
2	Sufficient	
3	High	x

Background Papers

Capital Strategy and Treasury Management Strategy 2023/24 (published as part of the 2023/24 budget)

APPENDICES / ATTACHMENTS

Appendix 1 – Economic Commentary (provided by Link Group)

Appendix 2 - Commentary on Gilt Yields and PWLB Borrowing Rates (Provided by Link Group)

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Economic Commentary (Provided by Link Group)

The Economy and Interest Rates

UK Economy

Against a backdrop of stubborn inflationary pressures, the Russian invasion of Ukraine, and war in the Middle East, UK interest rates have continued to be volatile right across the curve, from Bank Rate through to 50-year gilt yields, for all of 2023/24.

Markets have sought an end to central banks' on-going phase of keeping restrictive monetary policy in place on at least one occasion during 2023/24 but to date only the Swiss National Bank has cut rates and that was at the end of March 2024.

UK, EZ and US 10-year yields have all stayed stubbornly high throughout 2023/24. The table below provides a snapshot of the conundrum facing central banks: inflation is easing, albeit gradually, but labour markets remain very tight by historical comparisons, making it an issue of fine judgment as to when rates can be cut.

	UK	Eurozone	US
Bank Rate	5.25%	4%	5.25%-5.5%
GDP	-0.3%q/q Q4 (-0.2%y/y)	+0.0%q/q Q4 (0.1%y/y)	2.0% Q1 Annualised
Inflation	3.4%y/y (Feb)	2.4%y/y (Mar)	3.2%y/y (Feb)
Unemployment Rate	3.9% (Jan)	6.4% (Feb)	3.9% (Feb)

The Bank of England sprung no surprises in their March meeting, leaving interest rates at 5.25% for the fifth time in a row and, despite no MPC members no longer voting to raise interest rates, it retained its relatively hawkish guidance. The Bank's communications suggest the MPC is gaining confidence that inflation will fall sustainably back to the 2.0% target. However, although the MPC noted that "the restrictive stance of monetary policy is weighing on activity in the real economy, is leading to a looser labour market and is bearing down on inflationary pressures", conversely it noted that key indicators of inflation persistence remain elevated and policy will be "restrictive for sufficiently long" and "restrictive for an extended period".

Of course, the UK economy has started to perform a little better in Q1 2024 but is still recovering from a shallow recession through the second half of 2023. Indeed, Q4 2023 saw negative GDP growth of -0.3% while y/y growth was also negative at -0.2%.

But it was a strange recession. Unemployment is currently sub 4%, against a backdrop of still over 900k of job vacancies, and annual wage inflation is running at above 5%. With gas and electricity price caps falling in April 2024, the CPI measure of inflation - which peaked at 11.1% in October 2022 – is now due to slide below the 2% target rate in April and to remain below that Bank of England benchmark for the next couple of years, according to Capital Economics. The Bank of England still needs some convincing on that score, but upcoming inflation and employment releases will settle that argument shortly. It is noted that core CPI was still a heady 4.5% in February and, ideally, needs to fall further.

Shoppers largely shrugged off the unusually wet weather in February, whilst rising real household incomes should support retail activity throughout 2024. Furthermore, the impact of higher interest rates on household interest payments is getting close to its peak, even though

fixed rate mortgage rates on new loans have shifted up a little since falling close to 4.5% in early 2024.

From a fiscal perspective, the further cuts to national insurance tax (from April) announced in the March Budget will boost real household disposable income by 0.5 - 1.0%. After real household disposable income rose by 1.9% in 2023, Capital Economics forecast it will rise by 1.7% in 2024 and by 2.4% in 2025. These rises in real household disposable income, combined with the earlier fading of the drag from previous rises in interest rates, means GDP growth of 0.5% is envisaged in 2024 and 1.5% in 2025. The Bank of England is less optimistic than that, seeing growth struggling to get near 1% over the next two to three years.

As for equity markets, the FTSE 100 has risen to nearly 8,000 and is now only 1% below the all-time high it reached in February 2023. The modest rise in UK equities in February was driven by strong performances in the cyclical industrials and consumer discretionary sectors, whilst communications and basic materials have fared poorly.

Despite its performance, the FTSE 100 is still lagging behind the S&P 500, which has been at an all-time high for several weeks.

USA Economy

Despite the markets willing the FOMC to cut rates as soon as June 2024, the continued resilience of the economy, married to sticky inflation, is providing a significant headwind to a change in monetary policy. Markets currently anticipate three rate cuts this calendar year, but two or less would not be out of the question. Currently, policy remains flexible but primarily data driven.

In addition, the Fed will want to shrink its swollen \$16 trillion balance sheet at some point. Just because the \$ is the world's foremost reserve currency (China owns over \$1 trillion) does not mean the US can continually run a budget deficit. The mix of stubborn inflation and significant treasury issuance is keeping treasury yields high. The 10 year stands at 4.4%.

As for inflation, it is currently a little above 3%. The market is not expecting a recession, but whether rates staying high for longer is conducive to a soft landing for the economy is uncertain, hence why the consensus is for rate cuts this year and into 2025...but how many and when?

EZ Economy

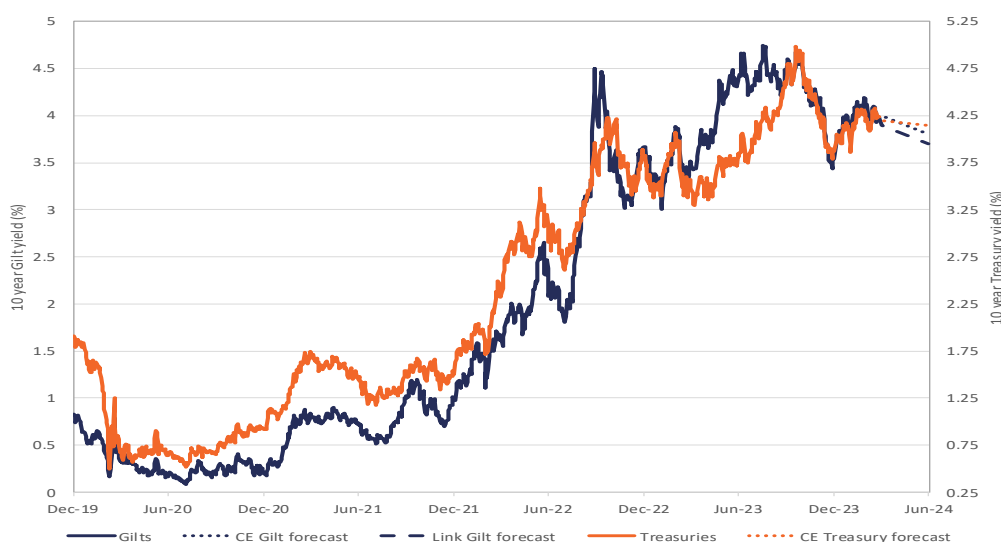
Although the Euro-zone inflation rate has fallen to 2.4%, the ECB will still be mindful that it has further work to do to dampen inflation expectations. However, with growth steadfastly in the slow lane (GDP flatlined in 2023), a June rate cut from the current 4% looks probable.

Commentary on Gilt Yields and PWLB Borrowing Rates (Provided by Link Group)

PWLB rates are based on gilt (UK Government bonds) yields through HM Treasury determining a specified margin to add to gilt yields. The main influences on gilt yields are Bank Rate, inflation expectations and movements in US treasury yields. Inflation targeting by the major central banks has been successful over the last 30 years in lowering inflation and the real equilibrium rate for central rates has fallen considerably due to the high level of borrowing by consumers: this means that central banks do not need to raise rates as much now to have a major impact on consumer spending, inflation, etc. This has pulled down the overall level of interest rates and bond yields in financial markets over the last 30 years. Indeed, in recent years many bond yields up to 10 years in the Eurozone turned negative on expectations that the EU would struggle to get growth rates and inflation up from low levels. In addition, there has, at times, been an inversion of bond yields in the US whereby 10-year yields have fallen below shorter-term yields. In the past, this has been a precursor of a recession.

However, since early 2022, yields have risen dramatically in all the major developed economies, first as economies opened post-Covid; then because of the inflationary impact of the war in Ukraine in respect of the supply side of many goods. In particular, rising cost pressures emanating from shortages of energy and some food categories have been central to inflation rising rapidly. Furthermore, at present the FOMC, ECB and Bank of England are all being challenged by levels of persistent inflation that are exacerbated by very tight labour markets and high wage increases relative to what central banks believe to be sustainable.

Graph of 10-year UK gilt yields v. US treasury yields (inclusive of Link's and Capital Economics' forecasts)



Gilt yields have generally been on a continual rise since the start of 2021, peaking in the autumn of 2023. Currently, yields are broadly range bound between 3.5% and 4.25%.

At the close of the day on 28 March 2024, all gilt yields from 1 to 50 years were between 3.81% and 4.56%, with the 1 year being the highest and 6-7 years being the lowest yield.

Regarding PWLB borrowing rates, the various margins attributed to their pricing are as follows: -

- **PWLB Standard Rate** is gilt plus 100 basis points (G+100bps)
- **PWLB Certainty Rate** is gilt plus 80 basis points (G+80bps)
- **Local Infrastructure Rate** is gilt plus 60bps (G+60bps)
- **HRA Borrowing rate** is gilt plus 40 40bps (G+40bps)

There is likely to be a fall in gilt yields and PWLB rates across the whole curve over the next one to two years as Bank Rate falls and inflation (on the Consumer Price Index measure) moves below the Bank of England's 2% target.

As a general rule, short-dated gilt yields will reflect expected movements in Bank Rate, whilst medium to long-dated yields are driven primarily by the inflation outlook.

The Bank of England is also embarking on a process of Quantitative Tightening. The Bank's original £895bn stock of gilt and corporate bonds will gradually be sold back into the market over several years. The impact this policy will have on the market pricing of gilts, while issuance is markedly increasing, and high in historic terms, is an unknown at the time of writing.



Shared Internal Audit Service

Annual Report

2023/24

Annual Report Contents

Section	Page
Introduction	1
Levels of delivery	2
Shared learning – the power of partnership	3
Managing the challenges of auditing in a changing environment	4
Developing our people and processes	4
First class customer service	6
Performance - outcomes	7
Performance indicators and financial performance of SIAS	8
Future developments	9
Our board members	10
Appendix A: SIAS trading account	11
Appendix B: Definitions	12



Introduction

Welcome to the Shared Internal Audit Service (SIAS) Annual Report for 2023/24.

Those familiar with my musings in the introduction to past editions of the annual report will know about my passion for walking, especially when the reward is personal contentment, good food and a refreshing drink at a pleasantly located country pub. While enjoying exactly this following a walk in the Test Valley in Hampshire during the May half-term, I had a copy of Country Walking magazine open in front of me and a quote from the editor leapt out – “Walking is good, and we should do more of it.” It has been said that walking can bring clarity and inspiration, and I got thinking about why internal audit is good, and why we should do more of it.

Internal auditors are qualified, skilled, and experienced professionals who exercise an unbiased and objective view. We are independent of the strategies, services, and operations we evaluate and report to officers at the highest levels in the partners and clients we support. We work in accordance with professional standards and a code of ethics, and exercise courage to express our opinion on often complex and strategic matters. We also love meeting the committed, inspiring, and astonishing people who serve our communities, and collaborating with them to seek improvement, undertake change and achieve success. In the spirit of celebration following a recent landmark birthday, I salute all internal auditors and those who resolutely champion and appreciate their work, especially in challenging times when the quality and extent of assurance, good governance, risk management and control face erosion and threat.

SIAS said a sad farewell to a team member departing during the year to a career opportunity elsewhere and bon voyage to another taking a career break to ‘Race across the world’. They are thanked for their achievements and contribution to the service and will be greatly missed (and welcomed back in one case). Departures offer the opportunity for new beginnings, and we welcome new team members, who have settled wonderfully well into the service. Congratulations are also extended to team members for their deserved promotions and exam successes.

Key developments in 2023/24 were the approval of the SIAS Business Plan for future income generation and the introduction of the Global Internal Audit Standards. These will form a significant part of service development activity in 2024/25.

For further highlights and reflections, I invite you to delve into the Annual Report itself. As ever, I enjoy the engagement, dialogue, and feedback the report fosters.

Chris Wood - Head of Assurance

June 2024



Levels of delivery

2023/24 continued to present pressures to SIAS in relation to recruitment and retention, these being pressures felt nationally within both local government and the private sector. The availability of experienced Internal auditors is recognised as a particularly challenging area given that it is a niche profession.

Despite the above challenges, SIAS managed to run several successful recruitment processes during 2023/24, cumulating in the recruitment of seven new members to the team during the year. This allowed SIAS to achieve 94% delivery of planned days and completion of 91% of planned projects to draft report stage, with targets of 95% and 90% respectively.

The slight underperformance in planned days related to SIAS deferring several audits for completion into April as the request of several Partners to manage officer resourcing pressures.

With our key objective being to complete enough work to allow an annual assurance opinion to be provided for each SIAS Partner, we are pleased to report that this was achieved.

Figure 1: Percentage of audits days delivered

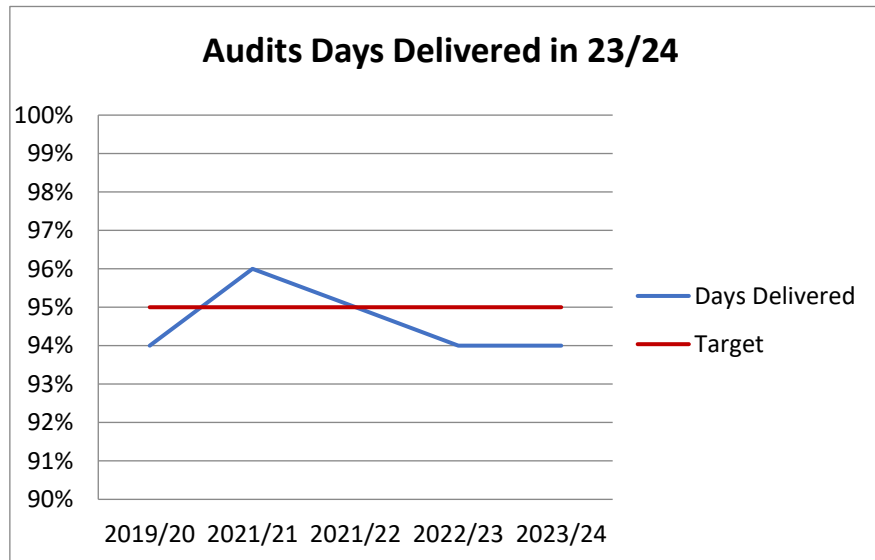
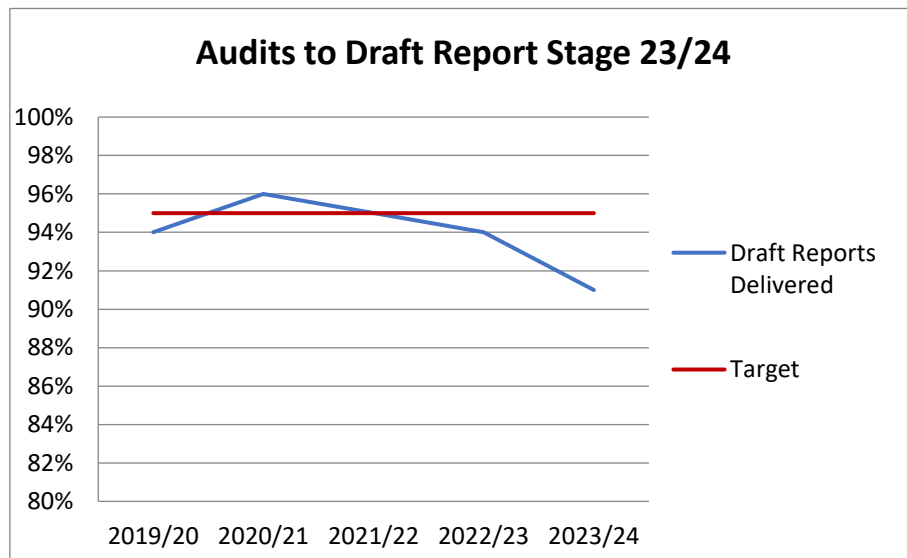
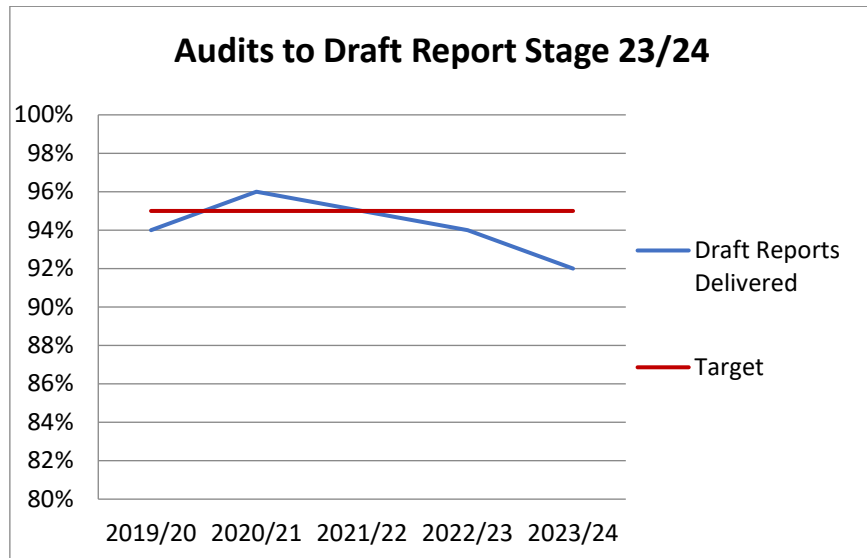


Figure 2: Percentage of audits to draft report stage



We delivered within 1% of our billable days target and achieved 1% over our 90% target of projects to draft report by 31 March 2024.



Shared learning - the power of partnership

A key founding principle of the Shared Internal Audit Service was the opportunity to embed a culture of shared learning within the partnership. A shared learning culture, both formal and informal, is embedded through our team, our sister services within Assurance and across our partners and opportunities abound to promote issues big and small.

We continued to use our networks with bodies such as the Chartered Institute of Internal Auditors (CIIA), local authority Chief Auditors Network (CAN) and Home Counties Chief Internal Auditors Group (HCCIAG) to ensure that we remained in touch with the challenges facing the audit profession and those being faced by the organisations that they provide assurance to.

The above networks provide particularly valuable during the consultation period for the Global Internal Audit Standards, which all Internal Audit providers are required to adhere to by 9 January 2025. Through the above networks we are already working jointly with other Heads of Audit to share good practice in how to demonstrate compliance with the revised standards.

Using the above forums, we have also discussed strategies for other key topics facing the profession such as recruitment and retention, assurance mapping, data analytics and the use of 'one page' audit reports. SIAS is also represented on the review group for the internal audit apprenticeship qualification, therefore having the opportunity to shape the course content and delivery methods. This is deemed as a critical opportunity given the service's move to a 'grow your own' strategy.

From a partner perspective, we continue to share good practice and emerging risks identified from our audit work during key Senior Management meetings, such as Corporate Governance Groups. This is deemed important to embrace a continuous learning culture within the partnership.

During 2023/24, our staff, partners and Audit Committee members have continued to support our cycle of continuous development with helpful challenges and comments, these being particularly critical as we look to continue to build a leading-edge internal audit service.

Effective shared learning is a fundamental part of a culture of ongoing continuous improvement, allowing learning to be transferred between organisations ...

Developing our people and processes

SIAS is committed to providing an exemplar service to its partners and clients that successfully blends cost effectiveness, resilience, and quality.

We continue to embrace a 'grow your own' strategy, with a full review undertaken of our approach to training and development to ensure that this supports our aspirations of developing and progressing staff, as well as providing robust assurance.

In respect of the above, all our staff have the opportunity to progress their professional qualifications, with seven members of staff currently either following an apprenticeship or direct study route with the professional body. In addition, we now provide the team with fortnightly 'lite bite' training sessions, where we look to provide in-house training to support their professional studies.

We are pleased to report that three of our auditors have now completed their level 4 apprenticeship, which is testament to their dedication and hard work to progress their careers.

In addition to professional training, and to aid career progression, all our staff are provided with personal development plans that look to develop them in their existing role and build the skills required for the next step in the career.

As a service that promotes the benefits of shared learning, we equally look to embed this within the team, and we are proud to have developed a culture within the team of joint working and support amongst all grades of staff. During 2023/24, we have continued with our 'office Wednesday' day, this providing an opportunity for the team to network and ensures face to face time in what is now a more remote working environment.

Our 2023/24 Public Sector Internal Audit Standards self-assessment continues to demonstrate that we 'generally conform' with the standards, and we continue to use and disseminate learning from our quality review processes to support the development of our staff, seeking feedback from team members to support this process.

At the core of our service are our team members. We continue to invest in professional and internal training for our staff to ensure that they can reach their career aspirations....



First class customer service

To monitor our effectiveness and improve our service, at the end of each assignment we request the completion of a short satisfaction survey. We have been given and have acted upon invaluable improvement ideas, and we are proud of the fact that in 2023/24 we have received 95% satisfactory or higher feedback rating from our customers.

Some of the comments that accompany the formal scoring document are shown below:

- “The Auditors did a good job of turning around a very loose wide brief into a few practical considerations.”
- “Very good, explained purpose of audit well and good understanding of business rates.”
- “Excellent service. Given that it was a full audit this year the amount of my time taken up was a lot less than I was expecting. Queries were clear and concise and kept to a minimum. Very happy with the process and reassured by the results of the audit.”
- “A professional service with logical analysis, engagement and clarity in scope of audit and concise recommendations as reported to enhance service delivery.”
- “Thank you, Auditors. The outcome of the audit will support us to implement developments which will positively impact on the performance information we use to measure and improve our services.”
- “Really good service, the auditor was easy to work with and understood our processes.”
- “The service was very thorough and helpful. Auditors very understanding and patient with us providing evidence (due to IT and staffing issues). Thankyou.”
- “I thought the service was very good. Everything was explained clearly, and I understood the purpose of the audit and what I needed to do to help. The audit was completed in a timely manner and communication was prompt and effective.”
- “Very good. Auditors very approachable and helpful.”

“The auditor was very professional and a pleasure to work with. The auditor was aware of the workload’s council officers have and only requested sufficient and appropriate documents to complete the audit.”



Performance – outcomes

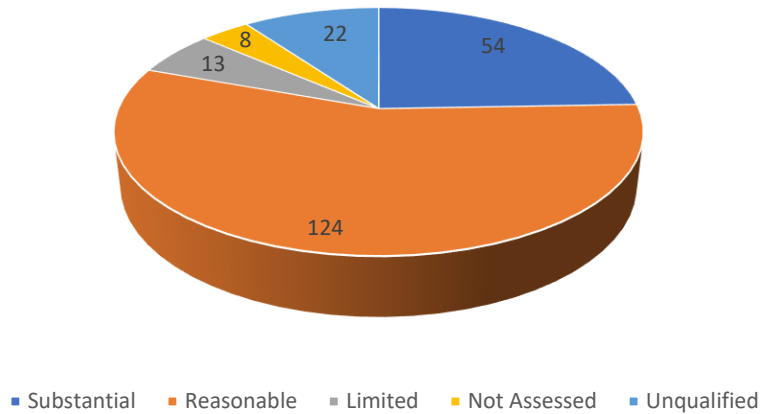
SIAS completed 226 assurance and other projects to draft or final report stage, giving the assurance opinions and recommendations detailed in the charts below.

For those pieces which resulted in a formal assurance opinion, the distribution of opinions is set out in figure 3 below:

Figure 3: Distribution of Audit Opinions 2023/24

226 assurance and other projects identifying 512 recommendations

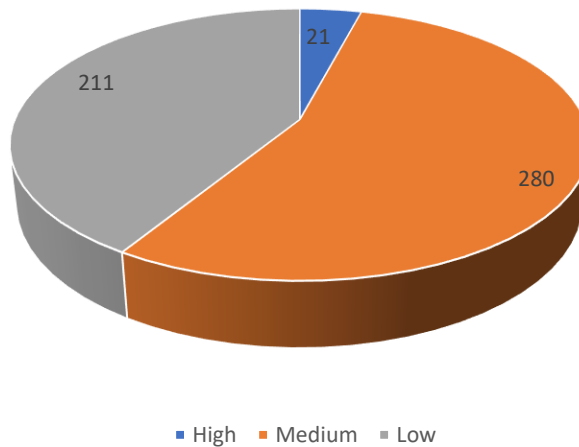
Distribution of Audit Opinions 2023/24



For those audits where recommendations were required and were graded, the priority ratings are set out in figure 4 below:

Figure 4: Prioritisation of Recommendations 2023/24

Prioritisation of Recommendations 2023/24



Performance indicators

The overall business performance of SIAS is monitored by the SIAS Board by means of a balanced scorecard which provides a range of measures by which progress can be evaluated.

The overall performance of SIAS against our key performance indicators is reported below.

Table 1: SIAS Business Performance

Indicator	Target	Actual as at 31 March 2023	Actual as at 31 March 2024
Progress against plan: actual days delivered as a percentage of planned days.	95%	94%	94%
Progress against plan: audits issued in draft by 31 March	90%*	90%	91%
Client satisfaction	100% client satisfaction questionnaires returned at 'satisfactory overall' level or above	95%	95%

* Target changed from 95% to 90% for 2023/24

Financial performance of SIAS

SIAS operates on a fully traded basis. Appendix A sets out the summary financial position at 31 March 2024.

Prudent financial management has allowed the service to build a reasonable reserve over the last few years, with the intention of smoothing the impact of any unforeseen events on trading performance in future years or investing in projects that support the delivery, growth, or development of the service.

Future developments



As part of the SIAS Medium Term Business Plan, approved in December 2023, we are commencing the expansion of our commercial offering. During 2024/25 our focus will be on developing the required internal infrastructure to support our progression into new markets and securing our first new customers.

Following the publication of the Global Internal Audit Standards in January 2024, we are currently reviewing our existing governance arrangements and audit manual to ensure that we can make any required adjustments to meet the implementation deadline of 9 January 2025.

For our team members and their future training and development, we will continue to support those members of our service that are striving to attain professional qualifications, with this continuing to be underpinned by personal development and progression plans.

As part of the continuous development of our audit approach and outputs, we are progressing the implementation of assurance mapping within our partner Council's to provide additional assurance over the management of key risks. We are also reviewing our current audit report format to ensure it provides a more concise and reader friendly document to assist management at all levels in understanding the outcomes of our work and key findings.

We will continue to work with our colleagues across audit networks to support the development of our knowledge and approach to making the most effective use of data analytics and assurance mapping within our assurance activities.

embed new ways of working... ensuring that we work with other audit teams to share and develop best practice...

Our board members

The SIAS Board provides strategic direction and oversight for the partnership, bringing a wealth of local government experience and insight to our operation.

In 2023/24, our Board members were as follows:

Name	Title	Partner
Clare Fletcher	Strategic Director (CFO)	Stevenage Borough Council
Matthew Bunyon	Head of Finance and Business Services	Hertsmere Borough Council
Steven Pilsworth	Director of Finance	Hertfordshire County Council
Ian Couper	Service Director (Resources)	North Herts Council
Richard Baker	Executive Director (Finance and Transformation)	Welwyn Hatfield Borough Council
Steven Linnett	Head of Strategic Finance and Property	East Herts Council
Alison Scott	Director of Finance	Three Rivers District Council
Hannah Doney	Chief Finance Officer and S151 Officer	Watford Borough Council
Chris Wood	Head of Assurance	SIAS
Darren Williams	Head of SIAS	SIAS

SIAS Final Financial Position for 2023/24		
	<u>Budget</u>	<u>Actual</u>
	<u>£</u>	<u>£</u>
Employee Costs	912,828	861,027
Partner / Consultancy Costs	172,000	306,900
Transport (Travel) & Supplies	34,183	20,369
Office Accommodation Cost	17,005	17,005
 Total expenditure	 1,136,016	 1,205,300
 Income	 -1,165,494	 -1,165,494
 Net (surplus) / deficit	 (29,478)	 39,806

During 2023/24 SIAS operated at a net deficit position due to the increased use of the co-sourced audit partner to cover staff vacancies during the opening six months of the financial year and additional cost pressures from the outcomes of the Local Government Pay Settlement for 2023/24. The above deficit was funded through the SIAS Reserve which has a carry forward balance into 2024/25 of £140,784.

Appendix B: Definitions of Assurance Levels and Priority of Recommendations

2023/24 Definitions of Assurance and Recommendation Priority Levels

Audit Opinions		
Assurance Level	Definition	
Assurance Reviews		
Substantial	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.	
Reasonable	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.	
Limited	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.	
No	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.	
Not Assessed	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		
Disqualified	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.	
Qualified	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.	
Disclaimer Opinion	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.	
Adverse Opinion	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	Critical	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.
	High	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	Medium	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.
	Low	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 Progress Report 25 July 2024

Recommendation

Members are recommended to:

- Note the Internal Audit Progress Report for the period to 12 July 2024
- Approve amendments to the Audit Plan as at 12 July 2024
- Agree changes to the implementation date for 8 audit recommendations (paragraph 2.5) for the reason set out in Appendices 3 to 7
- Agree removal of implemented audit recommendations (Appendices 3 to 7)

Contents

- 1 Introduction and Background
 - 1.1 Purpose of Report
 - 1.2 Background

- 2 Audit Plan Update
 - 2.1 Delivery of Audit Plan and Key Findings
 - 2.3 Audit Recommendations
 - 2.7 Proposed Audit Plan Amendments
 - 2.8 Audit Plan Delivery Progress

Appendices

- 1 Progress against the 2024/25 Audit Plan
- 2 2024/25 Audit Plan Projected Start Dates
- 3-7 Progress against Outstanding Internal Audit Recommendations
- 8 Assurance and Priority Levels

1. Introduction and Background

Purpose of Report

- 1.1 This report details:
- Progress made by the Shared Internal Audit Service (SIAS) in delivering the Council's annual audit plan for 2024/25 as at 12 July 2024.
 - Proposed amendments to the approved 2024/25 Annual Audit Plan.
 - Implementation status of all previously agreed audit recommendations from 2019/20 onwards.
 - An update on performance management information as at 12 July 2024.

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 2024/25 Annual Audit Plan was approved by Audit Committee on 21 March 2024.
- 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 21 March 2024.

2. Audit Plan Update

Delivery of Audit Plan and Key Audit Findings

- 2.1 At 12 July 2024, 21% of the 2024/25 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 The following 2024/25 final reports have been issued since March 2024 Audit Committee.

Audit Title	Date of Issue	Assurance Level	Number and Priority of Recommendations
Main Accounting	Mar '24	Substantial	None
Property – Asbestos Management Plan	Mar '24	Reasonable	Two Medium
Payroll	Apr '24	Substantial	One Low
Agency Staffing	Apr '24	Reasonable	Three Medium

Audit Title	Date of Issue	Assurance Level	Number and Priority of Recommendations
Temporary Accommodation	Apr '24	Reasonable	One Low
Financial Controls	Apr '24	Reasonable	One Medium and Two Low
Performance Management	Apr '24	N/A - Consultancy	N/A – advisories only
Emergency Planning	Apr '24	Reasonable	Three Medium
Procurement of Play Areas / Small Outdoor Leisure Facilities	Apr '24	Reasonable	Two Medium
Cyber Security	May '24	Reasonable	Four Medium
Benefits	May '24	Reasonable	One Medium and One 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 12 July 2024, with full details given in appendices 3 to 7:

Year	Number of Recommendations	Implemented	Not yet due	Outstanding & request made for extended time or no update provided	% implemented
2019/20	37	36	0	1	97%
2020/21	25	24	0	1	96%
2021/22	36	36	0	0	100%
2022/23	44	42	0	2	95%
2023/24	36	24	5	7	67%

2.5 Since 21 March 2024 Audit Committee, extension to implementation dates have been requested by action owners for 8 recommendations as follows:

- One from the 2019/20 Property (Rent and Lease Administration) audit, with a revised target date of 30 November 2024 (was 31 August 2024).
- One from the 2022/23 Business Continuity Planning audit, with a revised target date of 30 September 2024 (was 31 March 2024).
- Two from the 2023/24 Taxi Licensing audit, with a revised target date of 30 August 2024 (were 28 June 2024).
- One from the 2023/24 IT Operations audit, with a revised target date of 1 October 2024 (was 31 March 2024).
- Two from the 20123/24 Watersmeet audit, with a revised target date of 31 August 2024 (were 31 March 2024 and 30 April 2024), and
- One from the 2023/24 Cyber Security audit, with a revised target date of 31 October 2024 (was 31 July 2024).

2.6 In respect of the following 3 recommendations, no updates were received from action owners:

- One from the 2020/21 Debtors audit (latest target date 31 March 2024),
- One from the 2022/23 Council Tax audit (latest target date 31 March 2024), and
- One from the 2023/24 Benefits audit (target date 31 July 2024).

Proposed 2024/25 Audit Plan Amendments

2.7 The following changes to the 2024/25 Audit Plans have been agreed with Management:

- Shared Services Plan - The previous allocation of 20 days under Finance in the Shared Services Audit Plan has been allocated to new audits of Procurement Cards (6 days) and Treasury Management System Implementation Design (4 days), with the balance of 10 days allocated to a new Assurance Mapping exercise.
- TRDC Plan – addition of a grant certification piece (1 day) covering the SHDF Wave 2.1 grant. Time taken from the SARs, EIRs & FOI audit.

Reporting of Audit Plan Delivery Progress

2.8 To help the Committee assess the current position in terms of progress against the projects in the 2024/25 Audit Plan, an analysis of agreed start dates is shown at Appendix 2. Dates have been agreed with management and resources allocated accordingly.

2.9 The 2024/25 Annual performance indicators and targets were approved by the SIAS Board in March 2024. 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 12 July 2024	Actual to 12 July 2024
1. Planned Days – percentage of actual billable days against planned chargeable days completed (excludes unused contingency)	95%	24% (50 / 206 days)	21% (42.5 / 206 days)
2. Planned Projects – percentage of actual completed projects to draft report stage against planned completed projects by 31 st March 2024	90%	12% (2 out of 17 projects to draft)	0% (0 out of 17 projects to draft)
3. Planned Projects – percentage of actual completed projects to Final report stage against planned completed projects by the production of the HoA Annual Report	100%	N/A	N/A – reported annually within the Chief Audit Executive’s annual report and opinion.
4. Client Satisfaction – percentage of client satisfaction questionnaires returned at ‘satisfactory overall’ level (minimum of 39/65 overall)	95%	100%	100% (based on one received in 2024/25)
5. Number of Critical and High Priority Audit Recommendations agreed	95%	95%	N/A (No high priority recommendations made)

2.10 In addition, the performance targets listed below are annual in nature. Performance against these targets will be reported on in the 2024/25 Head of Assurance’s Annual Report:

- **6. Annual Plan** – prepared in time to present to the March meeting of each Audit Committee. If there is no March meeting, then the plan should be prepared for the first meeting of the financial year.
- **7. Head of Assurance’s Annual Report** – presented at the Audit Committee’s first meeting of the civic year.

APPENDIX 1 INTERNAL AUDIT PLAN 2024/25 – UPDATE ON POSITION AS AT 12 JULY 2024

2024/25 SIAS Audit Plan

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		C	H	M	L				
Key Financial Systems									
Council Tax (Shared Services Plan)						10	No	0	Not Yet Allocated
Business Rates (Shared Services Plan)						10	SIAS	0	Allocated
Payroll (Shared Services Plan)						12	No	0	Not Yet Allocated
Procurement Cards (Shared Services Plan)						6	No	0	Not Yet Allocated
Treasury Management System Implementation Design (Shared Services Plan)						4	No	0	Not Yet Allocated
Operational Audits									
Democratic Services						8	No	0	Not Yet Allocated
Disabled Facilities Improvement						8	SIAS	7	In Quality Review
Public Health Funerals						8	SIAS	1	In Planning
Homelessness						8	SIAS	4	In Fieldwork
Asset Management System (inc Garages Follow Up)						8	SIAS	0.5	In Planning
Parks, Open Spaces and Woodland Management Plan						8	SIAS	6	In Fieldwork
Community Safety						8	No	0	Not Yet Allocated
Corporate Services									

APPENDIX 1 INTERNAL AUDIT PLAN 2024/25 – UPDATE ON POSITION AS AT 12 JULY 2024

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		C	H	M	L				
SARs, EIRs and FOI Requests						9	No	0	Not Yet Allocated
Embedded Project Assurance						6	No	0	Not Yet Allocated
Grant Certifications									
SHDF Wave 2.1 Grant						1	SIAS	0.5	In Fieldwork
IT Audits									
IT Project Management (Shared Services Plan)						10	BDO	0	Allocated
Service Desk Contract Management (Shared Services Plan)						8	BDO	4	In Fieldwork
Cyber Security (Shared Services Plan)						15	BDO	0	Allocated
To Be Allocated									
Unused Contingency (Shared Services Plan)						3	N/A	0	To Be Allocated
Follow-Up Audits									
Follow-up of outstanding audit recommendations						8	N/A	2	Through Year
Strategic Support									
2025/26 Audit Planning						5	N/A	0	Quarter 4
Audit Committee						8	N/A	2	Through Year

APPENDIX 1 INTERNAL AUDIT PLAN 2024/25 – UPDATE ON POSITION AS AT 12 JULY 2024

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		C	H	M	L				
Head of Internal Audit Opinion 2023/24						3	N/A	3	Complete
Monitoring and Client Meetings						7	N/A	1.5	Through Year
SIAS Development & Global Internal Audit Standards						3	N/A	1.5	Through Year
Assurance Mapping - TRDC						5	N/A	0	Not Yet Allocated
Assurance Mapping – Shared Services Plan						10	N/A	0	Not Yet Allocated
2023/24 Projects Requiring Completion									
2023/24 Projects Requiring Completion (5 days TRDC plan / 5 days Shared Services Plan)						10	N/A	9.5	TRDC - Complete / Shared Services Plan - In Progress
TRDC TOTAL						116		34	
SHARED SERVICES TOTAL						93		8.5	
COMBINED TOTAL						209		42.5	

Key to recommendation priority levels:

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

APPENDIX 2 2024/25 AUDIT PLAN PROJECTED START DATES

Apr	May	Jun	July	Aug	Sept
Disabled Facilities Improvement (In Quality Review)	IT Service Desk Contract Management (shared services plan) (In Fieldwork)	Asset Management Systems – Garages (In Planning)	SHDF Wave 2.1 Grant (In Fieldwork)	Public Health Funerals (In Planning)	Business Rates (shared services plan)
Parks, Open Spaces and Woodlands Management Plans (In Fieldwork)		Embedded Project Assurance	Homelessness (In Fieldwork)		

Oct	Nov	Dec	Jan	Feb	Mar
	Council Tax (shared services plan)	Payroll (shared services plan)	Cyber Security (shared services plan)	IT Project Management (shared services plan)	
		Procurement Cards (shared services plan)	Treasury Management System Implementation Design (shared services plan)	Community Safety	
		Democratic Services	SARs, EIRs and FOI Requests		

Page 54

APPENDIX 3 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
01	We recommend that the Council review the systems used to maintain records of Council owned properties.	Medium	<p>Position (March 2023) 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.</p> <p>The focus now switches to collating and uploading data relating to TRDC's Commercial Estate. The property and asset addresses have been uploaded into the system and the next stage of work will shared between the Property & 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.</p> <p>Position (July 2023) Garage data has been loaded and reconciled and the Property Management system is being used for the management of garages – reports and processes have been provided.</p> <p>The GIS link has been applied and is currently being tested.</p> <p>Recruitment for a temporary staff member has commenced and once in place will continue with the data collection for the commercial properties.</p>	Head of Property Services / Property & Legal Services Teams	31 January 2024	*	<p>31 August 2024</p> <p>30 November 2024</p>

APPENDIX 3 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 56			<p>Position (September 2023) GIS link is working. The temporary Officer has been appointed and will start to load the commercial property data. A full procedure has been created to ensure consistency. Full training will be given. Financial data is being collated to compliment the PMS. On target for completion 31st January 2024</p> <p>Position – November 2023 The Temporary Property Data Analyst is currently engaged in collating data in connection with the Council’s commercial property portfolio. The work remains on target for completion 31st January 2024.</p> <p>Position – March 2024 Garage data implementation has now been completed and the system is being used for garage purposes (it should be noted that this is a new system, and issues are being addressed as they arise).</p> <p>Mapping data is still being analysed, and is progressing well, led by the Council’s GIS Officer. A GIS link is being added to the Trace system, and delays on this completion are due to TRDC-specific requirements being considered. The primary assets have been uploaded onto Trace, in the form of freehold and subsequent leasehold interests. These two systems together will form the basis for asset ownership and associated enquiries. Deed Packets will be retained.</p>				

APPENDIX 3 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 57			<p>The postholder of the Temporary Property Data Analyst left the Council at the end of February 2024 and at the time of writing the post is vacant, however, the closing date for internal applicants is 15 March 2024.</p> <p>As has been stated previously, the completion of this task is largely reliant upon available resources. The extension to the deadline is required to complete the task, based upon the dedicated resources available.</p> <p>Position – July 2024 The garage data is performing as planned. The finance system and rent collection data are now closely aligned, rectifying a significant system error. The direct debit payment system and PMS data are functioning well, with monthly reports verifying occupancy levels across the garage estate. Minimal officer input is needed for full alignment.</p> <p>Reports, including occupancy data, can be extracted from the PMS system, enabling quick filling of garage vacancies. Errors flagged with Trace are mostly administrative.</p> <p>The Estate Surveyor will meet with the GIS Officer next week to discuss mapping. The GIS link for loaded assets needs fine-tuning to pinpoint exact locations, which will then link to the land ownership section.</p>				

APPENDIX 3 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
			The Temporary Property Data Analyst post remains vacant after three recruitment attempts. The Property Services Team is reviewing how to capture and upload the final PMS data. Completion of this task is deferred until November 2024 due to the lack of dedicated resources, although it is hoped that this work will be completed prior to November.				

APPENDIX 4 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 x 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 – February 2023 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.</p> <p>Position – July 2023 The list has been generated and there are 2252 accounts to check. Each one must be checked individually before it can be decided if the duplicate entry can be deleted. Work has commenced on the checking / deletion. We are allocating a little resource to this each week as BAU work is extremely high currently so it will take some time to check all 2,000 accounts.</p> <p>Position – September 2023 Revenues Manager 12.09.23 This recommendation is a low priority, and we continue to be under resourced, which means the focus on housekeeping projects is not as high as we would like. This is progressing slowly because it needs to be managed around BAU. Some further analysis of the reports from Finance is needed because some customers should have multiple account references, where,</p>	Recovery Team Leader, Revenues Manager and Finance.	31 August 2021	*	31 October 2021 31 October 2022 31 December 2022 30 June 2023 31 December 2023 31 March 2024

APPENDIX 4 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 60			<p>for example they are being billed for different services, such as Rent, Trade Waste, or for multiple units if they are a larger business.</p> <p>Position – November 2023 We have limited resource in the Recovery Team and BAU work takes precedence, but we continue to review these accounts.</p> <p>Position – March 2024 We have been unable to check many cases during Q4 due to clearing BAU work before entering the annual billing period. Dedicated resource of 46 Hrs per week (2 part-time officers) has now been allocated to the work to complete the first review of duplicate cases by the end of Q1 2024/25.</p> <p>Position – July 2024 No update received from action owner.</p>				

APPENDIX 5 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
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"> • brute-forcing of account passwords including password spraying, • login attempts from unexpected geographic areas, • unexpected account lockouts • password database for the deny list hashes, • other unusual behaviour from users. <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>	Medium	<p>Position – August 2022</p> <p>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"> • 1-year option - £7,806 • 3-year option - £16,483 <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> <p>Position – November 2022</p> <p>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 recommended by DLUHC is end of Q4 March 2024.</p> <p>Position – February 2023</p>	Associate Director of ICT and Shared Services	31 March 2023	✓	31 March 2024

APPENDIX 5 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 62			<p>In progress. Produce options and costs continue to be reviewed and costed against all recommendations included within the DLUHC cyber grant budget.</p> <p>Position – July 2023</p> <p>1.1 – All available options offered by a number of vendors have been evaluated. The decision has been made to utilise the DLUHC grant and to expand on the existing CSOC provision from Exponential-e to meet the requirements of the recommendation.</p> <p>1.2 The quotation has been provided from Exponential-e to expand the CSOC offering. This has been approved and the project is now moving to the procurement phase. The procurement should be completed by the end of October 2023.</p> <p>Position – September 2023</p> <p>1.1 The procurement to expand the CSOC offering is completed, duration of the contract is set for 24 months.</p> <p>1.2 – The on prem virtual deployment is currently in progress, deadline to implement the solution is set for end of October 2023.</p> <p>Position – November 2023</p> <p>1.1 The implementation phase is completed, finetuning and baselining of the alerting with the vendor to reduce the false positives. This phase is expected to run over 8 week period.</p> <p>1.2 Once the finetuning and baselining is completed, it will be handed over to CSOC for monitoring, triage, and remediation.</p>				

APPENDIX 5 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
			Position – March 2024 1.1 The CSOC Alien Vault baselining and fine tuning has completed, and it is now running in full production. 1.2 The CSOC reports will be included within the ITSG cyber security update. Position – July 2024 Complete				

APPENDIX 6 OUTSTANDING RECOMMENDATIONS FROM THE 2022/23 AUDIT PLAN

Council Tax 2022/23 Final report issued May 2023							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
01	<p>TRDC should ensure that a review of debt outstanding is conducted, and decisions taken regarding whether or not to proceed for write-offs.</p> <p>Subsequently, write-offs should be conducted at regular intervals going forward.</p> <p>The 'How and Why to put a write off code on a Council Tax Account' procedure should include version control to ensure that it is reviewed periodically.</p>	Medium	<p>A review of all outstanding debt will be completed during 2023/24.</p> <p>March 2024 - Ongoing</p> <p>All outstanding write-offs have been cleared since this report was written and on-going write-offs will be reviewed once a quarter.</p> <p>Agreed. Our quality team will get a version control sheet added.</p> <p>Position – July 2023 The review of all debt is underway, and this will include looking at debts suitable for write-off.</p> <p>The write-offs for Q1 are being prepared.</p> <p>Version control has been added to all procedures.</p> <p>Position – September 2023 Revenues Manager 12.09.23 The team continue to identify and put forward cases for write off where appropriate.</p> <p>Position – November 2023 Q1 write-offs have been prepared and await sign-off. Q2 write-offs are being prepared.</p> <p>Position – March 2024 Q1 and 2 for Council Tax being reviewed and processed. S/Debt write-offs identified during 2023/24 to date have been processed. Any further write-off's identified for 203/24 will be processed after annual billing and processed before 31 March 2024.</p>	Revenues Manager/Data Performance Manager	31 March 2024	*	

APPENDIX 6 OUTSTANDING RECOMMENDATIONS FROM THE 2022/23 AUDIT PLAN

Council Tax 2022/23							
Final report issued May 2023							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
			Position – July 2024 No update received from action owner.				

Business Continuity Planning 2022/23							
Final report issued July 2023							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
02	An agreed plan for regular Business Continuity training should be scheduled to ensure all staff with business continuity responsibilities have received all the necessary training and support to be able to fully perform their duties.	Medium	Agreed. Tabletop exercise will be undertaken in Q1 of 2024 Position (November 2023) On target to complete by March 2024. Position – March 2024 Service Continuity Plans are being reviewed and updated. A table-top exercise to validate the plans will be undertaken in summer 2024. Position – July 2024 All Service Continuity Plans and the Business Continuity Plan have been reviewed and updated. A table-top exercise is being planned and will take place in Summer 2024.	Emergency Planning & Risk Manager	31 March 2024	*	30 Sept 2024
04	The Council should ensure that a full review of the Business Continuity Plan is completed by March 2023.	Medium	Implementation has been delayed so that the SCPs will align with new Council structure and new post of EP & Risk Officer filled. Position (November 2023) On target to complete by March 2024. Position – March 2024	Emergency Planning & Risk Manager	31 March 2024	✓	

APPENDIX 6 OUTSTANDING RECOMMENDATIONS FROM THE 2022/23 AUDIT PLAN

Business Continuity Planning 2022/23							
Final report issued July 2023							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
			<p>The BCP is being reviewed and updated. A table-top exercise to validate the plan will be undertaken in summer 2024.</p> <p>Position – July 2024 Business Continuity Plan has been reviewed and updated.</p>				

APPENDIX 7 OUTSTANDING RECOMMENDATIONS FROM THE 2023/24 AUDIT PLAN

Taxi Licensing							
Final report issued September 2023							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
03	We recommend that fees should be reconciled monthly between Idox and the finance system.	Low	This had already been raised with the digital team and finance prior to the audit.	Lead Licensing Officer	30 April 2024	*	28 June 2024
			<p>Officers will continue to liaise with finance to ensure that payee details are transferred to the payment system to ensure reconciliation can be achieved.</p> <p>Position – November 2023 Officers are continuing to liaise with finance to ensure that payee details are transferred to the payment system to ensure reconciliation can be achieved.</p> <p>Position – March 2024 Officers are continuing to liaise with finance to ensure reconciliation.</p> <p>Position – July 2024 Officers meeting finance on 10 July to discuss further details to achieve the recommendation.</p>				30 August 2024
04	We recommend that the service should undertake a data cleansing exercise on an annual basis to ensure they are only keeping necessary information.	Low	<p>We will discuss further with the relevant officer and review the retention policy.</p> <p>When a licence has been surrendered, we are required to keep the record if the driver has issues that could be of interest or concern to another licensing authority.</p> <p>Position – November 2023 To be reviewed with the Data Protection Officer and potentially delete and securely dispose of all files that are not required.</p>	Lead Licensing Officer	30 April 2024	*	28 June 2024 30 August 2024

APPENDIX 7 OUTSTANDING RECOMMENDATIONS FROM THE 2023/24 AUDIT PLAN

Taxi Licensing							
Final report issued September 2023							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
			<p>(Retain files indefinitely where there is information that should be shared with other authorities such as any enforcement action that has been taken by Three Rivers).</p> <p>Position – March 2024 To be discussed with the Data Protection Officer within the next month and then to review process.</p> <p>Position – July 2024 To be discussed with the Data Protection Officer within the next month and then to review process.</p>				

Page 6

IT Operations 2023/24							
Final report issued December 2023							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
01	<p>Management should develop an overarching IT Asset Management Policy which establishes how the Council manages its IT assets in order to support the achievement of the Council's corporate objectives. The Policy should include, but not be limited to:</p> <ul style="list-style-type: none"> • Purpose • Scope • Principle (Councils' assets that are known, identified and managed with appropriate security protection in place) • Inventory of Physical and 	Medium	<p>We have most of the component parts listed under 'Recommendation' captured within other ICT policies.</p> <p>Inventory of data assets are out of scope for ICT, as data assets are the responsibility of the business. Consequently, we will not be reporting this inventory – this will be reflected within the policy.</p> <p>The overarching policy will be created by the stated target date.</p> <p>Position – March 2024 These policy changes are on target for the end</p>	Service Delivery Manager	31 March 2024	✓	

APPENDIX 7 OUTSTANDING RECOMMENDATIONS FROM THE 2023/24 AUDIT PLAN

IT Operations 2023/24							
Final report issued December 2023							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
Page 69	<p>Virtual assets</p> <ul style="list-style-type: none"> • Inventory of data assets (Data and information assets identified and an inventory of these assets is drawn up and maintained) • Inventory of Software License Assets (Software and software licenses identified, and an inventory of these assets is drawn up and maintained) • Ownership of Assets (Individuals, roles or teams that are assigned ownership of assets) • Returning of Assets when they are no longer required • Arrangements for reporting a lost or stolen IT asset • The requirements for securing an IT asset • Policy compliance (compliance measurement, exceptions, non compliance, continual improvement) <p>This policy should be approved and made available to all members of staff.</p> <p><i>Further guidance on implementing asset management for good cyber security is available via this link: Asset management - NCSC.GOV.UK</i></p>		<p>of March.</p> <p>Position – July 2024 Our Asset Management policy passed through ITSG, TRDC CMT & WBC CMB, prior to the end of March and are also published on the councils' intranets.</p>				

APPENDIX 7 OUTSTANDING RECOMMENDATIONS FROM THE 2023/24 AUDIT PLAN

IT Operations 2023/24							
Final report issued December 2023							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
02	<p>An over-arching policy for problem and incident management should be developed. The policy document should define:</p> <ul style="list-style-type: none"> • The scope of incident and problem management • Guidelines for incident and problem management operations • Guidelines to decide urgency level • Roles and responsibilities of incident/problem manager, team structure, RACI Matrix • Service Level Agreements (SLAs) • Deliverable mapping (reports and meetings) • Life cycle of a problem and incident and the monitoring activities. <p>This policy should be approved and made available to all members of staff.</p>	Medium	<p>We have most of the component parts listed under 'Recommendation' captured within other ICT policies.</p> <p>This policy will be completed in full for the target date of March 2024.</p> <p>Position – March 2024 This policy change is on target for the end of March.</p> <p>Position – July 2024 This policy has yet to be completed. The policy will be complete by the end of September 2024.</p>	Service Delivery Manager	31 March 2024	*	1 October 2024

APPENDIX 7 OUTSTANDING RECOMMENDATIONS FROM THE 2023/24 AUDIT PLAN

Watersmeet Theatre 2023/24							
Final report issued February 2024							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
01	<p>We recommend staff members complete training to ensure they are aware of how to access and enter wastage on the 'Epos' system.</p> <p>We recommend the stock records show who performed the checks. In addition, we recommend the theatre ensure there are a segregation of duties between checking the physical stock, inputting the figures into the system, and reconciling the stock.</p>	Low	<p>The following staff can enter wastage on EPOS:</p> <ul style="list-style-type: none"> • Front of House Manager • Operations & Events Manager • Venue Technician • General Manager • Duty Front of House Managers <p>Bar Attendants and volunteers are not authorised to put enter wastage. Any wastage is to be put aside and verified by an authorised person listed above and entered on the EPOS system.</p> <p>Action: The bar training guide will be updated to clarify this process.</p> <p>Action: Front of House Manager will complete monthly physical stock checks. Operations & Events Manager will enter figures into EPOS system and reconcile.</p> <p>(During periods of leave an alternative member of staff will carry out one of these roles to ensure two people are involved in the process.)</p> <p>Action: A stock management procedure will be created setting out this process.</p> <p>Position – July 2024 Bar training guide has been updated and is now being passed to staff at training sessions. A paper copy is now in the bar and available for all staff to see.</p>	Front of House Manager	31 March 2024	*	31 August 2024

APPENDIX 7 OUTSTANDING RECOMMENDATIONS FROM THE 2023/24 AUDIT PLAN

Watersmeet Theatre 2023/24							
Final report issued February 2024							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
			<p>Monthly stock check now taking place with segregation of duties.</p> <p>A stock management procedure has been drafted. Completion including staff training will be completed by 30th Aug 2024. Delay due to all bar staff availability for training.</p>				
02	We recommend that the licence transfer process be conducted as soon as possible to ensure the theatre's records are current.	Low	<p>The Watersmeet General Manager completed the training required to apply for his Personal Licence on 7 February, has applied for his Personal Licence and is awaiting it to be issued. Once issued an application to change the DPS will be made to transfer DPS from the Head of Customer Experience to the Watersmeet General Manager.</p> <p>Position – July 2024 Application for licence completed. Issue with Personal licence delayed due to printing issues at Bucks County Council. Documents now being completed for the transfer of DPS.</p>	Head of Customer Experience until DPS transferred and then General Manager	30 April 2024		31 August 2024
03	<p>We recommend the checks of the safe are recorded to show when they were completed, and by whom with the total balance. This is to ensure the team can provide assurance that checks have been completed.</p> <p>We also recommend that the 'Cash handling and till procedures' document is updated to reflect the safe count procedures that occur in practise.</p>	Low	<p>A record of safe checks is now being completed weekly and includes:</p> <ul style="list-style-type: none"> • the total balance in the safe • date of check • who completed the check. <p>This is recorded and saved in the accounts folder on the shared drive.</p> <p>The Cash Handling and Till Procedures document will be updated to reflect this process.</p> <p>Position – July 2024</p>	Operations & Events Manager	<p>1 February 2024 start date, therefore complete</p> <p>31 March 2024</p>	✓	

APPENDIX 7 OUTSTANDING RECOMMENDATIONS FROM THE 2023/24 AUDIT PLAN

Watersmeet Theatre 2023/24							
Final report issued February 2024							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
			Cash handling and till procedures updated – complete.				
04	We recommend (as stated in the 'cash handling and till procedures' document) the general ledger logs whether the (G4S) cash envelope has been sealed.	Low	Staff filling cash envelopes have been reminded to follow the stated procedure. Accounts general ledger to be checked by the General Manager quarterly. This will be added to the quarterly checks register. Position – July 2024 Implemented and complete.	General Manager	28 February 2024 – complete 31 March 2024	✓	

Property Services 2023/24							
Final report issued March 2024							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
01	Management should confirm the key reporting arrangements for the AMP. This should include: <ul style="list-style-type: none"> Frequency in which it is discussed at the Risk Management Group. How often reports should be produced and presented (and where) How frequently should the CMT, SLT and JLT be provided with updates relating to the AMP. KPIs which should be monitored to highlight 	Medium	These recommendations are accepted in full. Position – July 2024 The Aquadrome AMP is now included as part of compliance reporting 'standing item' upon the Risk Management Group meeting agenda. It is intended that an annual report will be submitted to CMT, SLT and JLT in December each year, so that senior oversight of actions, asbestos discoveries and removal/remedial works can be reported.	Head of Property Services & Major Projects	30 June 2024	✓	

APPENDIX 7 OUTSTANDING RECOMMENDATIONS FROM THE 2023/24 AUDIT PLAN

Property Services 2023/24							
Final report issued March 2024							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
	performance and progress. Alongside this reporting structure, the Council should formalise a delivery plan, clearly outlining key actions for the implementation of the AMP, whose responsible and how frequently they should be completed.		KPI's are based upon the performance of resolving an asbestos discovery and the frequency of discoveries. A further KPI will be recorded to capture planned projects or works where an Asbestos Management Survey has been considered, and reported, whether required or not. A delivery plan has been developed which addresses the issues identified within the recommendation and will be used to guide activities regarding the Aquadrome AMP.				
02 Page 74	A log of current open actions relating to the asbestos identified on the site should also be maintained and updated. This should include the owner of the actions, the target and actual completion date and be reported to the Risk Management Group.	Medium	These recommendations are accepted in full. Position – July 2024 This has been actioned and the Live Log is contained within shared folder on the X: Drive.	Head of Property Services & Major Projects	30 June 2024	✓	

Emergency Planning 2023/24							
Final report issued April 2024							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
01	We recommend that the Council develop and undertake regular testing of the Emergency Plan and Incident Control Centre. All testing exercises should be recorded and maintained.	Medium	We plan to run a testing exercise for the Emergency Plan and Incident Control Centre now that we have recruited to the Resilience and Risk Officer Post. This will be after the officer training is updated. Position – July 2024 On target.	Data Protection and Resilience Manger and Risk and Resilience Officer	31 December 2024		

APPENDIX 7 OUTSTANDING RECOMMENDATIONS FROM THE 2023/24 AUDIT PLAN

Emergency Planning 2023/24							
Final report issued April 2024							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
02	We recommend that the Council update the training log as soon as possible and ensure a system is in place to maintain the training log and notify individuals who have not completed training.	Medium	The training log is under review by the Resilience and Risk Officer, new volunteer recruitment is also underway. The Volunteer and Training log will also be reviewed by CMT annually. We can continue to use HCC if suitable to deliver the training, other external providers may also be used.	Data Protection and Resilience Manger and Risk and Resilience Officer	30 September 2024		
	We recommend the service determine the frequency of officer refresher training and establish who will deliver the training.		The Introduction to Emergency Planning for Corporate Management Team will take place first, this will take place by September 2024. A plan will be written with details of the training opportunities available for the different roles annually and reported to CMT. Position – July 2024 On target.		Other training will be organised and booked throughout Summer/Autumn by December 2024.		
03	We recommend for the service to clarify the review dates within the plan to align with best practice.	Medium	The Emergency Plan is due to be reviewed in June 2024. It is updated every year and a more in depth review every two years.	Data Protection and Resilience Manger and Risk and Resilience Officer	30 September 2024		
	We recommend (as the plan is checked, reviewed, and approved by the Data Protection and Resilience Manager) that the plan is reviewed by the Risk Management Group and agreed by Corporate Management Team to ensure sufficient oversight of the plan.		Plans will be approved by Corporate Management Team and reviewed by the Risk Management Group. This includes any amendments.		30 September 2024		
					30 June 2024		

APPENDIX 7 OUTSTANDING RECOMMENDATIONS FROM THE 2023/24 AUDIT PLAN

Emergency Planning 2023/24							
Final report issued April 2024							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
Page 76	We recommend that where changes are made to the plan, that these are consistently reported to the Risk Management Group and then agreed by Corporate Management Team including a periodic update to Corporate Management Team.		Virtual System for ICC will be included in the Emergency Plan review in June 2024.		31 July 2024		
	During the next review, we recommend the Emergency Plan includes details regarding communication contingency arrangements, whereby senior management will be contacted via their work mobile using the Council's internal system (8x8). The plan should also state that a WhatsApp group has also been created using senior managements' personal mobiles (all phone numbers are listed in the contact directory).		Reception Centre Plan Review was last reviewed in February 2022. A review takes place every year of reception centres and key holders. The plan will be reviewed by July 2024.				
	We recommend that the Reception Centre Plan undergoes a formal review as soon as possible.		Position – July 2024 On target.				

Payroll 2023/24							
Final report issued April 2024							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
01	HR and management should ensure post funding is secured prior to the employment start date.	Low	Recommendation agreed. Position – July 2024	HR Operations Lead	30 April 2024	✓	

APPENDIX 7 OUTSTANDING RECOMMENDATIONS FROM THE 2023/24 AUDIT PLAN

Payroll 2023/24							
Final report issued April 2024							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
			HR to confirm funding in place with manager before contract of employment issued.				

Payroll Supplementary Memo 2023/24							
Final report issued April 2024							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
01	<p>The Council should formulate and approve formal guidance to direct management and HR staff on the appropriate procedures to follow when accepting DBS checks completed by previous employers.</p> <p>If it is decided not to accept DBS checks for previous employments the current policy should be updated to explicitly reflect this, and key staff informed accordingly.</p> <p>If the Council decides to accept previous checks for roles that require a 'standard' level check, we recommend the following safeguards are considered:</p> <ul style="list-style-type: none"> • A cut-off date of a maximum of three months. • Risks and reasons for accepting are formally documented and authorised. <p>That previous checks are not accepted under any circumstances for</p>	Medium	<p>Recommendation agreed.</p> <p>Position – July 2024 DBS checks from previous employers are not accepted as confirmed to key staff.</p>	HR Operations Lead	31 May 2024	✓	

APPENDIX 7 OUTSTANDING RECOMMENDATIONS FROM THE 2023/24 AUDIT PLAN

Payroll Supplementary Memo 2023/24							
Final report issued April 2024							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
	roles that require an 'enhanced' level check.						
02	HR and management should ensure that pre-employment checks are fully completed prior to the employee start date.	Medium	Recommendation agreed. Position – July 2024 Process for all employment checks to be completed prior to employee start date is in place.	HR Operations Lead	31 May 2024	✓	

Agency Staffing 2023/24							
Final report issued April 2024							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
01 78	To ensure that managers have access to appropriate guidance, we recommend that HR create: <ul style="list-style-type: none"> Guidance on the requirement for all hiring managers to complete 'request to fill' forms, and for these to be approved by the budget holder and Finance, and retained by HR. Guidance for hiring managers who wish to hire off-contract is in place outlining the requirement for, induction checklists to be completed, approved by the budget holder and Finance and retained by HR. We recommend where IR35 	Medium	Agreed Position – July 2024 Complete	HR Business Partner	30 June 2024	✓	

APPENDIX 7 OUTSTANDING RECOMMENDATIONS FROM THE 2023/24 AUDIT PLAN

Agency Staffing 2023/24							
Final report issued April 2024							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
	checks are to be completed, the evidence from the HMRC website is retained by hiring managers.						
02	<p>We recommend that once IR35 checks are completed by the hiring manager, and it results with the agency worker falling within IR35, hiring managers perform right work checks and ensure the documents are retained.</p> <p>Where the agency worker falls outside of the IR35 remit, it is important that in the future, hiring managers confirm that contracts include sufficient clarity over the arrangements for undertaking right to work checks. Where the responsibility is not clear, appropriate arrangement should be put in place to ensure that such checks are performed before the individual commences duties.</p>	Medium	<p>To ensure this is communicated to hiring managers as outlined above, however ownership is placed on hiring managers.</p> <p>Position – July 2024 Complete</p>	HR Business Partner	30 June 2024	✓	
03	<p>As part of the guidance recommended in finding one, this should clearly indicate that it is the hiring managers responsibility to obtain and retain a copy of the contract between the Council and the Agency.</p> <p>In addition, the guidance should clearly indicate what checks should be performed by the hiring manager to ensure that the contract is sufficient before this is accepted by the Council.</p>	Medium	<p>To ensure this is communicated to hiring managers as outlined above, however ownership is placed on hiring managers.</p> <p>Position – July 2024 Complete</p>	HR Business Partner	30 June 2024	✓	

APPENDIX 7 OUTSTANDING RECOMMENDATIONS FROM THE 2023/24 AUDIT PLAN

Agency Staffing 2023/24							
Final report issued April 2024							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
	Within the guidance for officers highlighted in recommendation 1, the requirement to check that the agency holds insurance cover of £5m for employer's liability and public liability should be included. Where insurance levels are below the above values, further advice should be sought from the Council's Procurement Team.						

Page 8

Financial Controls 2023/24							
Final report issued April 2024							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
01	The Council should investigate the circumstances around a member of staff approving a GRN and thus authorising payment outside of their current delegated approval limit.	Medium	An issue was found with the user's role. The role for the user has been corrected. We have checked all roles to ensure there were no other examples of this and there were not. Position – July 2024 Completed	Finance Manager - Systems	Completed	✓	
02	The Council should reiterate the importance of the PO process ensuring that all applicable invoices contain all necessary documentation and approval.	Low	We will update the EProcurement procedure note on the intranet and send appropriate communications that PO's must be raised before goods are received.	Finance Manager – Systems	1 June 2024	✓	

APPENDIX 7 OUTSTANDING RECOMMENDATIONS FROM THE 2023/24 AUDIT PLAN

Financial Controls 2023/24							
Final report issued April 2024							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
			<p>Position – July 2024 Process notes updated and communications written and passed over for council wide communication.</p>				
03	The Council should reiterate the controls to all team members that payments should be processed in line with the procedures.	Low	<p>We have previously communicated that AP Supplier system isn't for staff,</p> <p>We have advised the department of the audit findings related to this £38.63.</p> <p>We will update the procedure note for EProcurement and FPM to make it clear that the supplier system isn't for staff expenses. We will communicate this with the communication sent to address point 2 above.</p> <p>Position – July 2024 Process notes updated and communications written and passed over for council wide communication.</p>	Finance Manager - Systems	1 June 2024	✓	

Page 81

Procurement of Play Areas 2023/24							
Final report issued April 2024							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
01	We recommend that the Council ensures that Dun and Bradstreet reports are being completed for all bidders on contracts and that reports are filed appropriately for audit trail purposes.	Medium	<p>These will be completed for all tenders and filed within the relevant capital projects folder.</p> <p>Position – July 2024 These will be completed for all tenders and filed within the relevant capital projects folder.</p>	Leisure Capital Projects Manager	1 April 2024	✓	

APPENDIX 7 OUTSTANDING RECOMMENDATIONS FROM THE 2023/24 AUDIT PLAN

Temporary Accommodation 2023/24							
Final report issued April 2024							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
01	We recommend that appropriate records are kept of the discussions and action points made at the performance management meetings.	Low	As discussed, if an issue was to come to light, then all meetings would be recorded, and minutes taken to allow actions to be completed and tracked. However, it is noted as a risk, therefore this will be completed going forward. Position – July 2024 Meeting took place on 9 July 2024, Agenda set and minutes taken. Actions outlined and dates set for completion. Recommendation completed.	Housing Operations Manager	April 2024 ongoing	✓	

Page 82

Cyber Security 2023/24							
Final report issued May 2024							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
01	The Councils should determine an appropriate percentage of staff that should complete the annual cyber security training (best practice would be 100%). Arrangements should be put in place for ensuring that the cyber security training is completed by all members	Medium	95% of staff will complete the annual cyber security training. There are regular communications to all staff and Councillors about cyber security issues, threats and what to look out for / how best to protect against them. Information on staff completion rates for	Director of Performance & Partnerships (WBC) Director of Finance (TRDC)	31 July 2024	✓	

APPENDIX 7 OUTSTANDING RECOMMENDATIONS FROM THE 2023/24 AUDIT PLAN

Cyber Security 2023/24 Final report issued May 2024							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
Page 83	of staff, as required, which could include: <ul style="list-style-type: none"> Identifying specific staff members who are required to complete the training and working with their line managers to ensure completion. Ensuring regular, top-down communication to increase awareness of the training. Requiring completion of the e-learning before issuing new devices to individuals or as part of performance and progression reviews. 		training is available to Watford Borough Council via the Qlik platform. Position – July 2024 There have been many communications about cyber security issues, including specific communications relating to the recent elections.				
	02 83	The Councils should conduct phishing campaigns on a regular basis, such as quarterly or bi-annually, to ensure ongoing assessment and reinforcement of employee awareness and response capabilities. Targeted training and educational materials should be provided to members of staff before and after each phishing campaign. Metrics to measure the effectiveness of each phishing campaign should be established, including employee engagement, phishing detection rates, and response times. Regular reporting on these metrics will enable ongoing evaluation of the	Medium	Investigate appropriate resources for Phishing campaigns and introduce on at least a 6 monthly basis. Position – July 2024 Investigations on-going.	Director of Performance & Partnerships (WBC) Director of Finance (TRDC)	31 July 2024	*

APPENDIX 7 OUTSTANDING RECOMMENDATIONS FROM THE 2023/24 AUDIT PLAN

Cyber Security 2023/24 Final report issued May 2024							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
	Council's phishing resilience and identification of areas for improvement.						
03	<p>The Councils should adopt the principle of least privilege and carefully evaluate the specific permissions and privileges required by each service account to perform its intended functions.</p> <p>Where possible, use dedicated service accounts with only the minimum necessary privileges required for their respective tasks.</p> <p>Implement strong authentication mechanisms, such as multi-factor authentication, and regularly review and update permissions to ensure they align with business requirements.</p>	Medium	<p>We will review all service accounts and contact vendors to confirm each service account permission requirements, and remove the elevated permissions where possible.</p> <p>If a service account does require the elevated permissions and cannot be changed, a confirmation email from the vendor with an explanation will be provided.</p> <p>Position – July 2024 The review of the service account is currently in progress with the following update.</p> <ul style="list-style-type: none"> • 5 accounts have been confirmed and cannot be removed due to the permission requirement, these accounts belong to the Infrastructure members of the team. • 2 accounts have been identified and will be removed post to CAB approval. • 11 accounts are still under investigation and require confirmation from relevant third parties, waiting on response from relevant third parties. 	Infrastructure & Security Manager	31 October 2024		
04	Management should address the anti-virus endpoints which do not have up-to-date anti-virus installed and review the endpoints which were not located	Medium	Re 3 devices identified without Trellix antivirus signatures	Service Delivery Manager	31 October 2024		

APPENDIX 7 OUTSTANDING RECOMMENDATIONS FROM THE 2023/24 AUDIT PLAN

Cyber Security 2023/24 Final report issued May 2024							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
Page 85	on in the report to ensure that they are up-to-date. Additionally, there should be continuous monitoring in place for all devices connected on the network to be fully anti-virus protected		These are in our loop stock and unissued / not on the network. When issued as a replacement or to a starter, they will be reimaged with all updates including Trellix. Re 7 devices were found to be with Trellix antivirus signatures were not identified in the Councils' IT estate. 2 of these devices are the EPO servers for the Trellix console, which the infrastructure manager has confirmed are protected by ESET. The remaining 5 are end-user devices – 4 of which are now in compliance and 1 device which has been removed from the AD. To further strengthen our management of endpoint devices: <ul style="list-style-type: none"> • We have reports running in SCCM to show any devices without Trellix installed • We have implemented Qualys to provide a high level of endpoint vulnerability management We have submitted a revised Acceptable Use Policy which includes an instruction that if a device has not been attached to the network for over 45 days, it is disabled. The policy has been approved by our ITSG (IT Steering Group) and we anticipate will be fully approved by senior management in both councils by autumn 2024. Position – July 2024				

APPENDIX 7 OUTSTANDING RECOMMENDATIONS FROM THE 2023/24 AUDIT PLAN

Cyber Security 2023/24 Final report issued May 2024							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
Page 86			<p>Qualys is monitored daily to measure endpoint vulnerability management and a log is maintained daily of the total vulnerabilities by severity. Since January, the number of vulnerabilities has fallen from in excess of 19k to 5.5k as at 08 July.</p> <p>While all severities are being reduced (1-5, 5 being the most critical), we are focussing now on Sev 5 vulnerabilities as advised by infrastructure, with the Sev 5s being addressed from the highest to lowest subcategory (CVSS score) – NB to mitigate by highest risk. A separate log is maintained daily of Sev 5 vulnerabilities by subcategory</p> <p>Qualys</p> <p>The revised Acceptable Use Policy was approved by senior management in both councils by April and is now fully operational.</p> <p>SCCM and Datto are used to monitor presence and compliance of AV. A daily report of this will be in place by the end of July.</p>				

APPENDIX 7 OUTSTANDING RECOMMENDATIONS FROM THE 2023/24 AUDIT PLAN

Benefits 2023/24							
Final report issued May 2024							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
01	We recommend that uncollectable housing benefit overpayments are written-off at regular intervals through the year.	Medium	Agreed Position – July 2024 No update received from action owner.	Benefits Manager	31 July 2024		
02	We recommend that in all cases the claimants ID documents are retained on file for reference.	Low	Agreed Position – July 2024 Completed	Benefits Manager	Implemented	✓	

Safeguarding 2023/24							
Final report issued June 2024							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
01	The Council should actively encourage and support level-1 staff attendance at the training courses and to action and escalate any incidents of non-compliance to senior management. The HR team should arrange training proactively prior to the expiration, to ensure members of staff can be book the training sessions early. When DSLs' training expired, they should be removed until they complete the training.	Low	HR will actively encourage and support staff to ensure attendance on mandatory training courses. Update will be provided to CMT for non-compliance. Position – July 2024 Course arranged for 18th July with more to follow for those who cannot attend.	OD Business Partner / Executive Head of HR&OD	31 July 2024	✓	
02	1) The Council should establish clear guidelines specifying the review frequency, next review date, and a responsible person for policy and guidelines updates. 2) The Guide to Employing Agency Workers should be reviewed and	Low	Guidelines will be reviewed as part of the wider HR Policy review in January 2024. This includes 'The Guide to Employing Agency Workers'. Position – July 2024	Executive Head of HR / HR Operations Lead / HR Business Partner	30 June 2024	✓	

APPENDIX 7 OUTSTANDING RECOMMENDATIONS FROM THE 2023/24 AUDIT PLAN

Safeguarding 2023/24							
Final report issued June 2024							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
	updated to reflect the correct agency supplier.		Policy reviewed by HR and awaiting sign off by CMT.				
03	We recommend that Council staff should be extra vigilant and more aware of their data entry responsibilities and to introduce some additional checks to the safeguarding spreadsheets to ensure the data is accurate and complete.	Low	Reminders at our monthly DSL meeting will help the team to ensure they are careful in filling in the spreadsheets. The spreadsheet will be reviewed annually to ensure it is fit for purpose and that data is being recorded annually. Position – July 2024 Completed. Spot checks are completed regularly.	Head of Strategy and Partnerships.	This will need to be ongoing annually in September. The first annual check has been completed in September.	✓	

APPENDIX 8 ASSURANCE AND RECOMMENDATION PRIORITY LEVELS

Audit Opinions		
Assurance Level	Definition	
Assurance Reviews		
Substantial	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.	
Reasonable	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.	
Limited	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.	
No	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.	
Not Assessed	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		
Unqualified	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.	
Qualified	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.	
Disclaimer Opinion	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.	
Adverse Opinion	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	Critical	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.
Service	High	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.
	Medium	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.
	Low	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.

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AUDIT COMMITTEE – 30 MAY 2024

PART I – DELEGATED

AUDIT COMMITTEE 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 Additional 'deep dive' training is arranged for members of the committee ahead of approval of the audited Statement of Accounts.
- 2.4 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
- 2.5 The programme of ad hoc reports scheduled to be presented to this Committee in the next 12 months is shown in the table below:

Financial Year 2024/25		
July 2024	TRAINING: Role of the Audit Committee <ul style="list-style-type: none"> Treasury Management Annual report 2023/24 Fraud Annual Report SIAS Board Annual Report Standing Items 	Director of Finance Director of Finance Fraud Manager Client Audit Manager
September 2024	TRAINING: Risk Management <ul style="list-style-type: none"> Risk Management Framework Standing Items 	Emergency Planning and Risk Manager Emergency Planning and Risk Manager
November 2024	TRAINING: Treasury Management <ul style="list-style-type: none"> Treasury Management Mid-Year Report 2024/25 Draft Capital Strategy and Treasury Management Strategy Statement 2025/26 Approval of the audited Statement of Accounts 2023/24 External Auditor Plan 2024/25 Standing Items 	Director of Finance Director of Finance Director of Finance and External Auditors External Auditors
March 2025	TRAINING: Internal Audit <ul style="list-style-type: none"> Accounting Policies 2023/24 Internal Audit Plan 2025/26 Standing Items 	Director of Finance Director of Finance and Client Audit Manager

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: Alison Scott – Director of Finance

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