

AUDIT COMMITTEE

NOTICE AND AGENDA

For a meeting to be held in the Penn Chamber, Three Rivers House, Northway, Rickmansworth on Thursday, 27 July 2023 at 7.30 pm

Members of the Committee:-

Councillors:

Tony Humphreys (Chair)

Lisa Hudson

Khalid Hussain

Raj Khuroya

Jonathan Solomons

Ruth Clark (Vice-Chair)

Andrea Fraser

Ciaran Reed

Rue Grewal

*Joanne Wagstaffe, Chief Executive
19 July 2023*

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

2. MINUTES

(Pages 5
- 14)

To confirm as a correct record the minutes of the Audit Committee meeting held on 28 March 2023 and the Special Audit Committee meeting held on 30 May 2023.

3. NOTICE OF OTHER BUSINESS

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

4. DECLARATIONS OF INTEREST

To receive any declarations of interest.

5. UPDATE FROM EY (EXTERNAL AUDITORS) ON AUDITS

To receive a verbal update from the external auditors.

6. ANNUAL FRAUD REPORT 2023

(Pages
15 - 20)

This report informs members of the work of the Fraud Section for the financial year 2022 to date and provides updates on progress and developments.

Recommendation:

That Members note the report.

7. STATEMENT OF ACCOUNTS UPDATE

(Pages
21 - 24)

This report sets out the latest position for external audit of the Statement of Accounts for 2019/20, 2020/21, 2021/22 and 2022/23. It also provides an update on the transition to new external auditors for 2023/24 onwards.

Recommendation:

Note the progress and latest timetable for completion of the external audit of the statement of accounts for 2019/20 onwards

8. TREASURY MANAGEMENT ANNUAL REPORT 2022/23

(Pages
25 - 40)

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 2022/23. 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).

During 2022/23 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 review (December Audit Committee)
- An annual review following the end of the year describing activity compared to the strategy, (this report)

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.

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.

Recommendation:

That the Committee notes the Treasury Management Annual Report.

- 9. SIAS ANNUAL REPORT 2022-23** (Pages 41 - 54)

To receive the SIAS Annual Report for 2022/23.

Recommendation:

To note the report.

- 10. TRDC SIAS PROGRESS REPORT AGAINST THE 2023/24 AUDIT PLAN** (Pages 55 - 98)

This report details:

- a) Progress made by the Shared Internal Audit Service (SIAS) in delivering the Council's annual audit plan for 2023/24 as at 14 July 2023.
- b) Proposed amendments to the approved 2023/24 Annual Audit Plan.
- c) Implementation status of all previously agreed audit recommendations from 2019/20 onwards.
- d) An update on performance management information as at 14 July 2023.

Recommendation:

- Note the Internal Audit Progress Report for the period to 14 July 2023
- Approve amendments to the Audit Plan as at 14 July 2023
- Agree changes to the implementation dates for seven audit recommendations (paragraph 2.5) for the reasons set out in Appendices 3 to 6
- Agree removal of implemented audit recommendations (Appendices 3 to 6)

- 11. FINANCIAL AND BUDGETARY RISK REPORT** (Pages 99 - 104)

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

Recommendation:

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

- 12. WORK PROGRAMME** (Pages 105 -

To receive the Committees work programme.

Recommendation:

To note the work programme and make any comments.

13. ANY OTHER BUSINESS agreed under item 3

14. EXCLUSION OF THE PRESS AND PUBLIC

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

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

15. ANY OTHER BUSINESS agreed under item 3

Livestreaming

To watch the meeting remotely please use the livestream details below:

https://teams.microsoft.com/l/meetup-join/19%3ameeting_NzQ3ZjhmZjYtOGU4NS00MmJmLTmYmUtYTVkMjdINzc3OTdi%40thread.v2/0?context=%7B%22Tid%22%3A%2258420664-1284-4d81-9225-35da8165ae7a%22%2C%22Oid%22%3A%2258c99d6e-8c11-4f06-9519-c296e92897fc%22%2C%22IsBroadcastMeeting%22%3Atrue%2C%22role%22%3A%22a%22%7D&btype=a&role=a

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

AUDIT COMMITTEE MINUTES

Of a meeting held in the Penn Chamber, Three Rivers House, Rickmansworth on Tuesday 28 March 2023 from 7.30pm to 8.35pm.

Members of the Audit Committee:

Tony Humphreys (Chair)	Chris Mitchell
Steve Drury (Vice-Chair)	Ruth Clark
Shanti Maru	
Raj Khiroya	

Officers: Hannah Doney (Head of Finance)
Sarah Haythorpe (Principal Committee Manager)

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

AC 35/22 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors Joan King and Khalid Hussain.

AC 36/22 MINUTES

The Minutes of the Audit Committee meeting held on 8 December 2022 were confirmed as a correct record by the Committee and signed by the Chair.

AC 37/22 NOTICE OF OTHER BUSINESS

None received.

AC 38/22 DECLARATIONS OF INTEREST

There were no declarations of interest.

AC 39/22 STATEMENT OF ACCOUNTS UPDATE

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

The Head of Finance advised that progress continued to be made towards concluding the 2019/20 audit. The internal reviews completed by Ernst Young (EY), had identified requirements for additional sampling and follow up queries in relation to areas which were previously thought to be concluded. These issues had arisen due to the time taken to conclude the audit and changes in the audit team. The Council were further behind in concluding these accounts which had

a knock-on effect on progressing the audit for 2020/21. Although a large amount of work had been completed on these accounts there was still work to be done on our fixed assets. As we have not signed off the adjustments from 2019/20 it had not been possible for EY to begin sampling work on the 2020/21 fixed asset register. Progress had not been as hoped when the report was brought to the Committee in December and when this report was published. There will be a further delay to the signing of the 2020/21 accounts which will have a knock-on effect on the 2021/22 accounts. As soon as we are able to commence the 2021/22 audit, we will do so rather than waiting for the formal signing of the accounts. EY will finish their work with the Council at the end of April and return to work with us again at the beginning of July as during that period they will deal with their NHS audit work. In this time the Council will be able to update the 2021/22 accounts so that EY are ready to progress the audit as soon as possible. In terms of 2022/23, we are nearing 31 March and will need to produce the accounts in line with the statutory timetable which requires us to publish draft accounts by 31 May 2023. The Government had undertaken a consultation with local government on seeking views to extend that deadline. The audit deadline had already been extended to 30 September, but they had sought views on extending the deadline on the publication of the draft accounts. In previous years it had been extended to 31 July. The Council don't know the outcome of the consultation however the Government have given some indication that they are probably not likely to extend the deadline and 31 May will stand. In order to prepare for this, we have set up another Audit Committee for 30 May where the Committee will meet to approve the draft 2022/23 accounts and the Annual Governance Statement. The 2021/22 accounts are likely to get pushed back to the September meeting as EY are not due back until July. With the extension to the audit deadline for 2022/23 agreed to end of September we will still not be able to meet that deadline but will be aiming to get the accounts to the December meeting or at the very latest the March meeting therefore having 4 years sets of accounts agreed which is achievable but would require immense effort from both the Council and EY. When we came to the Committee in December, we talked about Azets Audit Services being our auditor for 2023/24 to 2027/28 which was confirmed in December. No contact had been made from Azets to start talking about what the transition looks like, but it is in EY's interest to move forward with the accounts before moving onto new clients. In preparing for the signing the draft accounts for 2022/23 we have brought to the Committee the accounting policies for 2022/23 with updates around the statutory guidance, terminology on investment properties and added in group accounts policies.

A question was asked about getting the accounts agreed and if there was anything which could further delay them.

The Head of Finance advised that the South Oxhey Initiative was the largest piece of work to complete, and we had now agreed how to account for that, and the work had been completed and would flow through the different year's accounts. EY will need to look at the asset valuations for each of the years. Since the valuations in the 2019/20 we feel that a lot of the core issues have now been resolved for when we get to the 2020/21 accounts and 2021/22 accounts. We are also now better in preparing our audit responses.

The Head of Finance advised that the valuations would not be included in draft 2022/23 accounts by the end of May. The Council will meet the publication of the accounts but not the audit deadline.

The Chair reminded that Members will be meeting on 30 May 2023. They also highlighted that only 9% of 2020/21 audits and 12% of 2021/22 audits were completed by the extended statutory deadlines.

The Head of Finance advised that the Council were slightly behind this because of the 2019/20 audit but if we can progress the 2020/21 audit we will be back up to speed.

On being put to the Committee the recommendations as detailed in the report were declared CARRIED by the Chair the voting being by general assent.

RESOLVED:

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

AC 40/22 UPDATE FROM EXTERNAL AUDITORS

Simon Luk, EY, advised that on the progress with the 2019/20 audit it was progressing quite slowly due to the issues raised by EY were quite complicated, but they were now progressing in producing a final set of 2019/20 accounts which we can review and get agreed. The aim was to get the 2019/20 accounts signed off by Easter. The next few weeks will be critical in receiving the 2019/20 accounts. In terms of the 2020/21 accounts, they are not likely to be signed off by the end of April, but a team was booked in for July to complete the work. With regards to the audit going forward because the 2020/21 audit had started before 2019/20 audit had closed, they could foresee some of the audit adjustments having to be made in the 2020/21 audit when EY look at that and there will likely be an increase in volume of sample size. By the time we get to the 2021/22 audit it will hopefully be a smoother process, but having the May and June gap should help to get things back in line to progress forward.

RESOLVED:

That the External Auditors' update be noted.

AC 41/22 THREE RIVERS DISTRICT COUNCIL AUDIT COMMITTEE PROGRESS REPORT

SIAS reported that this was a standard report on the delivery of the internal audit plan for 2022/23. The report reflected on the position as at 17 March. At Paragraph 2.2 it included a summary of the final report since the previous report was issued in December. With regards to the Development Management pre application audit, this had received substantial assurance and had two low priority recommendations. At Paragraph 2.3 details were provided on the status of outstanding audit recommendations which provided some good news in terms of the outstanding audit recommendation from 2018/19 which had now been classed as implemented and on the remaining ones SIAS were able to class 5 of the outstanding recommendations as implemented.

A Member said that one recommendation was outstanding from 2019/20 and asked which one that was. The Head of Finance advised that it was with regards to Council owned properties and identifying a system to record property data, which had been done but the recommendation had remained until the system was implemented. Previously the Head of Property attended Committee meetings and provided regular updates. If the Committee would like more information or updates this could be organised. The project was well under way and the garage data is on the system and they were looking to start to migrate the property data across.

Out of the remaining outstanding 10 audit recommendations 5 were not yet due based on their original implementation date and on the other 5 management they were requesting extensions to the previously advised implementation dates which related to the audits on garages, debtors, cyber security, complaints handling and creditors.

At Paragraph 2.6 it detailed one proposed amendment to the audit plan which related to the addition of an audit on Freedom of Information requests and believed this audit was in progress. At Paragraph 2.8 an update had been provided on progress against our performance indicators (PI) and showed how these were looking at the time of the meeting. Should it be the case that SIAS were not able to deliver a report to draft by 31 March it would not be an issue for the Council, but SIAS would look to get all reports to draft stage by the time they provide their annual opinion to the Audit Committee in May. With regards to the PI SIAS were reviewing this as they did not feel it was the right indicator going forward. It was proposed to change this, following discussion with the SIAS Board, to have two different PIs – one as 90% of projects to draft report by 31 March and the other 100% of projects to final report in advance of final opinion. This proposal would be presented to the Committee at a future meeting to agree.

With regards to the impact on resources for next year's audit plan assurance was provided to the Committee that the projects being carried over were sitting with external partners so would not be an issue on internal resource. It was noted there had been recruitment issues in the team and they had struggled to recruit to roles at the higher end of the structure.

On being put to the Committee the recommendations as detailed in the report were declared CARRIED by the Chair the voting being by general assent.

RESOLVED:

- Noted the Internal Audit Progress Report for the period to 17 March 2023.
- Approved amendments to the Audit Plan as at 17 March 2023
- Agreed changes to the implementation dates for 5 audit recommendations (Paragraph 2.5) for the reasons set out in Appendices 3 to 7
- Agreed removal of implemented audit recommendations (Appendices 3 to 7)

AC 42/22 SIAS INTERNAL AUDIT PLANS 2023/24

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

SIAS reported that at Paragraph 1.1 it set out the key principles for the approach to the internal audit plan and focussed on the public sector internal audit standards. The plan focused on a risk-based plan, with sufficient coverage to support our annual opinion. Consultation had taken place with senior management and members as part of creating the plan (achieved by presenting to the Committee) and there are sufficient resources to deliver the plan.

At Paragraph 1.5 it highlighted the Audit Charter which would be presented to the Committee for approval at the May meeting. At Paragraph 2.1 it set out the audit planning principles, at Paragraph 2.2 it talked about how SIAS set the audit plan and at Paragraph 2.10 it talked about the challenges all Councils faced. Paragraph 2.13 provided details on the shared audit plan with Watford.

The audit plan should be considered as dynamic and would continue to be reviewed throughout the year with management to ensure it does continue to be focussed on the key areas of risk and challenge facing the Council. Any changes to the plan would be reported to the Committee as part of the quarterly reports. At paragraph 2.16 it provided details on the resourcing of the audit plan and highlighted that SIAS had an external resourcing partner, BDO, who could be used to cover any resource gaps.

At Paragraph 3.3 it provided a summary of the performance indicators for 2023/24 with the proposal for the one amendment as detailed on the previous report - to indicator 4. There was a reserve list included so if an audit dropped out of the plan or got cancelled a substitute could be included into the plan.

The Head of Finance advised that not only do the corporate management team discuss the plan, but it is brought to the Audit Committee every quarter to consider. The whole process was collaborative with SIAS and the Council. They wished to highlight the hard work of the SIAS team over the year and keeping the quality of the work, despite some resourcing issues.

On being put to the Committee the recommendation as detailed in the report was declared CARRIED by the Chair the voting being by general assent.

RESOLVED:

Approved the proposed 2023/24 Three Rivers District Council and Shared Services Internal Audit Plans.

AC 43/22 FINANCIAL AND BUDGETARY RISKS

This report advised on the latest position in respect of the evaluation of financial risks facing the Council for discussion and any recommendations or comments.

The Head of Finance reported that a few changes had been made to the text, so it was as up to date as possible. The main item to highlight to the Committee was financial risk 19 and was in the risk register around a risk of delay in receiving the capital receipts due under the South Oxhey Initiative. Under the lease arrangement we had some deferred capital receipts which were due to be received over a 3-year period. The final capital receipt had now been paid to the Council and this risk would be removed from the risk register. Inflation was clearly going to continue to be a risk during 2023/24 but would continue to be

closely monitored across not only next year but the whole Medium Term Financial Plan (MTFP).

The Chair asked about FIN18 and the Business Rates Retention which was due to be reset but had been postponed to 2025/26 however significant revaluations for 2023/24 would introduce additional risk of appeals.

The Head of Finance advised that as part of the normal revaluation process undertaken by the valuation agency office, they had increased the Business Rates due from our businesses and those come into effect from 1 April. There had been an increase across the country, but TRDC were top of the table and would see a 57% increase in business rate income forecast. That additional income does not come to the Council because of the way the funding works with tariffs and top ups but we do carry the risk if those significant increases are appealed, and those appeals were successful. This would reduce our business rate income and reduce our business rates growth. Over the next couple of years, we will need to await what happens with those appeals and what level of appeals provision we set aside.

Each department has its own risk register and includes climate change but there was nothing in this register. The likelihood could be very small, but the consequences could be very high.

The Head of Finance said this was just the budgetary risks. We do still have the Governments Bellwin Scheme which is set up for LAs to claim against in the event of an emergency like a major storm but there is no reason why we could not add something to the risk register that picks up the financial implications of the climate emergencies. It would cross reference what we have on the risk register in terms of climate change, and we could think about what we can bring forward.

Recently an American bank had gone into difficulties and there were other bank problems, where in the risk register is our financial details.

The Head of Finance advised details were provided in the Treasury Management strategy which is quite restrictive in what we can invest in. The Committee receives this strategy to review every year with the current strategy agreed in December. The Council have a balance on our current account with Lloyds Bank whose credit worthiness is our primary risk, but they are one of the stronger UK banks. The Council does reflect on whether the risks do adequately pick this up. We view the recent matters as isolated incidents, but which are impacting on interest rates, but the banking sector is relatively stable.

RESOLVED:

That the Financial and Budgetary Risks report be noted.

AC 44/22 COMMITTEE WORK PROGRAMME

The Committee received their work programme. As noted earlier under Statement of Accounts they had slipped as outlined in the update.

RESOLVED:

That the comments and the work programme be agreed.

CHAIR

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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 Tuesday, 30 May 2023 from 7.30 - 7.55 pm

Present:

Councillors:

Tony Humphreys (Chair)

Ruth Clark (Vice-Chair)

Raj Khiroya

Khalid Hussain

Lisa Hudson

Jonathan Solomons

Also in Attendance:

Councillor Narinder Sian

Officers in Attendance:

Hannah Doney

Sarah Haythorpe

External in Attendance:

Alan Cooper, SIAS

AC1/23 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors Rue Grewal, Andrea Fraser and Ciaran Reed.

AC2/23 DECLARATIONS OF INTEREST

None received.

AC3/23 NOTICE OF ANY OTHER BUSINESS

The Chair had ruled that the following item of business, which had not been available 5 clear working days before the meeting but was of sufficient urgency to be considered by the Committee for the following reason:

Item 5 – Statement of Accounts and Annual Governance Statement 2022/23

To be able to approve the Annual Governance Statement 2022/23 by 31 May and authorise the issue of the Draft Statement of Accounts 2022/23 for public inspection by 31 May 2023

AC4/23 INTERNAL AUDIT ANNUAL REPORT AND ANNUAL ASSURANCE STATEMENT 2022/23

The Client Audit Manager (SIAS) reported that this report provided:

a) Details 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 is made to significant matters and key themes

- b) Shows the outcomes of the self-assessment against the Public Sector Internal Audit Standards (PSIAS) incorporating the requirements of the Quality Assurance and Improvement Programme (QAIP).
- c) Summarises the audit work that informs this opinion.
- d) Shows SIAS performance in respect of delivering the Council's audit plan.
- e) Presents the 2023/24 Audit Charter for approval.

The report provided details on work which had been completed over the last year.

Looking at the summary position for the Council, of the 21 audits, 5 received a substantial level of assurance, 11 received a reasonable level of assurance, 1 received a limited level of assurance and 4 received an unqualified opinion. The unqualified opinion related to grant determination claims which SIAS were asked to review. To clarify to the Committee, reasonable is a good level of assurance and did not indicate that there were any major or significant control issues within the Council based on the work SIAS had undertaken. Details were provided in the report on SIAS opinions and recommendations with a total of 49 recommendations being made from the 21 audits but only two of the recommendations being high priority. Throughout the year progress reports were brought to the Committee for oversight on what management were doing to respond to the audit recommendations.

With regard to SIAS performance indicators, on the indicator on project delivery, we were under the target of 95% (reaching 76%) although the Committee were aware that throughout 2022/23 we experienced a number of issues in terms of being able to deliver the audits which we had originally anticipated due to resources in the team due and recruitment which is being experienced across the sector. We do have the use of external audit consultants, BDO, but they have also experienced recruitment issues. There were 5 audits which did not get to draft report stage by the end of the financial year, but they are at draft now and the outcomes of those audits have formed part of the opinion for the year.

In terms of the public sector audit standards, we undertake a self-assessment every year and we have an external assessment every 5 years, with the last one being in 2021. Our accountability is through the SIAS Board. The Audit Charter set out our purpose and how we do our work and is reviewed each year. There were no limitations in the scope placed upon SIAS and we were given full access to the records we sought to enable us to deliver and fulfil our independent internal audit function.

The Head of Finance confirmed that there were no limitations during 2022/23.

The Chair asked how do you select the areas you wish to audit. The Client Audit Manager advised that each year we go through an annual planning cycle. The first area we look at is the Council's high level strategic risks and then align our plan to those and have discussions with Heads of Service within the Council and shared services. Through those discussions we discuss any changes which are taking place, projects, programmes, reviews or changes to processes and the management of risks in those areas. This identifies some topics which go through a moderation process of a Governance Group and the Corporate Management Team and then finally come to the Audit Committee in March to approve. We would then deliver the programme from 1 April to 31 March. Any changes to the plan are agreed with management and brought to the attention of the Committee.

On being put to the Committee the recommendations in report were declared CARRIED by the Chair the voting being by general assent.

RESOLVED:

1. Noted the Annual Assurance 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 2023/24
4. Received management assurance that the scope and resources for internal audit were not subject to inappropriate limitations in 2022/23.

AC5/23

STATEMENT OF ACCOUNTS AND ANNUAL GOVERNANCE STATEMENT 2022/23

The Head of Finance advised that the report set out the timetable for the publication of the draft accounts for 2022/23 with the deadline being midnight tomorrow (31/5/23). Once the accounts are published, a link will be sent to Committee members so that you have sight of the draft accounts. There will be some omissions from the draft Statement of Accounts because we are delayed in signing our 2019/20, 2020/21 and 2021/22 accounts which means that we don't have asset valuations which we can include for 2022/23. The information relating to the expenditure fund analysis and the general fund transactions are complete and are consistent with the yearend report which will be published for the P&R Committee on Friday. Also not included will be the actuary information relating to the Pension Fund. We did receive some of the information on Thursday, but we don't have the final report from the actuary. The delay had arisen because of the impact of the tri-annualisation which required the actuary to revisit calculations for 2021/22 in addition to completing the report 2022/23. As there are a number of authorities with their 2021/22 accounts open the triannual valuation was completed as at 31 March 2022 and had a different value to the actuary reports produced for the 2021/22 accounts. In order to make the accounts as complete as possible the 2021/22 actuary reports need to be redone so that they are consistent with the triannual valuation. The triannual valuation is completed every 3 years and is not an issue which had arisen before as we have not been behind on our accounts. This is impacting on a number of authorities.

In order to publish the draft accounts tomorrow we also need to have available an approved Annual Governance Statement. Within the report there is one significant governance issue which had been raised which was within appendix 1 to the Annual Governance Statement. The issue was around our use of the Revenue and Benefits system to pay out grants in relation to business grants and payments to council taxpayers under the government energy rebate schemes. Whilst we have arrangements in place to manage that process it felt right to reflect that we are using a system for a purpose it is not designed for which means we do not have the normal controls within the system that would expect when managing payments. We do have management arrangements in place to manage the issue. This was the first time in a number of years where we had reported a significant governance issue but will bring an update to each Committee meeting.

The Annual Governance Statement concludes that management's opinion is that our governance arrangements were sound and provide a robust platform for achieving the Council's priorities and challenges in 2023/24. In reaching that conclusion we have also relied on the work of internal audit. At appendix 2 to the Annual Governance Statement, we have our self-assessment against the financial management Code of Practise. This is a gold standard set out by CIFRA on financial management arrangements. We are required as part of the guidance to complete the self-assessment and have rated ourselves green across all areas with the exception of the publication of the Statement of Accounts which we have rated amber to reflect that the audit of the accounts is delayed with the external audit although we do have a plan in place with EY to bring it back within the statutory timeframe ahead of our transition to our new auditors for 2023/24.

On being put to the Committee the recommendations were declared CARRIED by the Chair the voting being by general assent.

RESOLVED:

1. Approved the Annual Governance Statement 2022/23
2. Noted that the Director of Finance will authorise for issue a Draft Statement of Accounts 2022/23 for public inspection by 31 May 2023.

CHAIR

AUDIT COMMITTEE – 27 JULY 2023

PART I - DELEGATED

6. ANNUAL FRAUD REPORT 2023 (DoF)

1 Summary

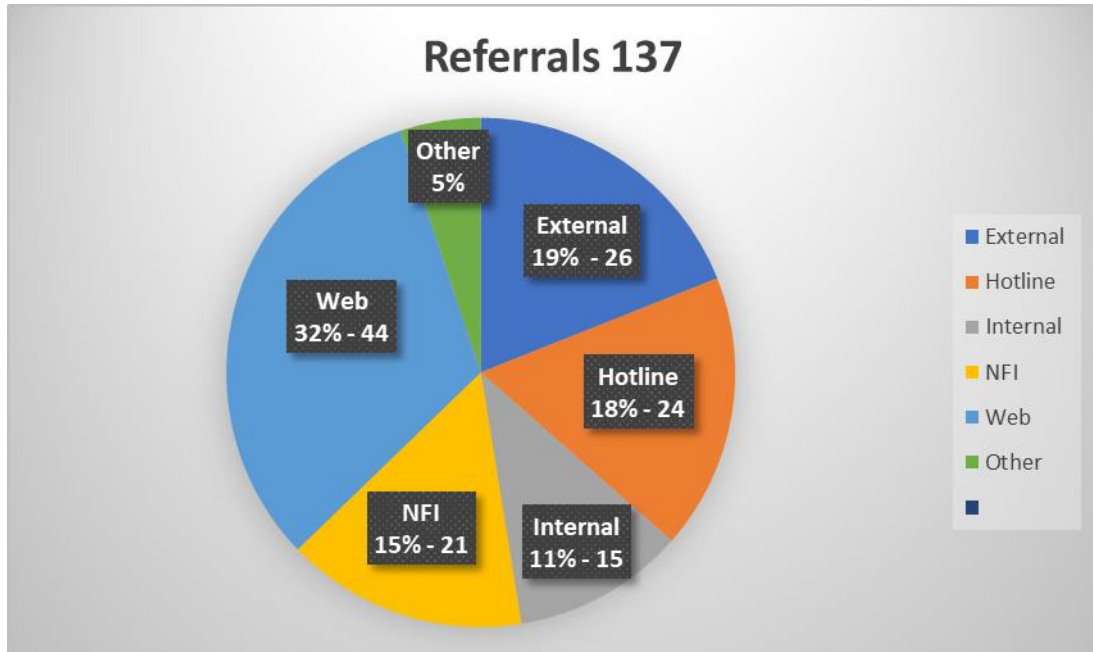
- 1.1 This report informs members of the work of the Fraud Section for the financial year 2022 to date and provides updates on progress and developments.

2 Details

- 2.1 The Fraud Section is part of the finance shared service with Watford. 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 a crime that affects everyone. According to the latest Cross Government Landscape Report fraud and error is estimated to cost the public sector £34bn annually.
- 2.1.3 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.
- 2.1.4 It is vital therefore that we have a strong anti-fraud culture underpinned with effective counter-fraud policies and good practice procedures.
- 2.1.5 Fraud does not fit neatly within geographical boundaries of the Council. Therefore the fraud team have an important role in collaborative working involving the exchange of information and intelligence between the Council and other agencies on national and local fraud and corruption activity. This may also include responding to requests for information, providing the necessary evidence and witness statements to prevent and detect crime.
- 2.1.6 In 2022-23 the Anti-Fraud & Corruption Strategy, the mechanism for achieving a commitment to reduce losses to fraud and corruption, was revised and approved. In addition the Council approved a new 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.
- 2.1.7 The Councils Regulation of Investigatory Powers Act 2000 (RIPA) policy was also revised to reflect and align with the new codes of practice.
- 2.1.8 Joint working with the DWP still remains limited despite a desire from the Council and 47 referrals for joint investigations being made to them from the Council. Discussions with them at a senior leadership level have now commenced with a commitment from the DWP to review their resources at an operational level in Herts and Beds.

2.1.9 During 2022/23 we have responded to 32 requests for intelligence. This involves sharing information legally for the correct purpose and includes providing witness testimony.

2.1.10 Referrals and details of source received;



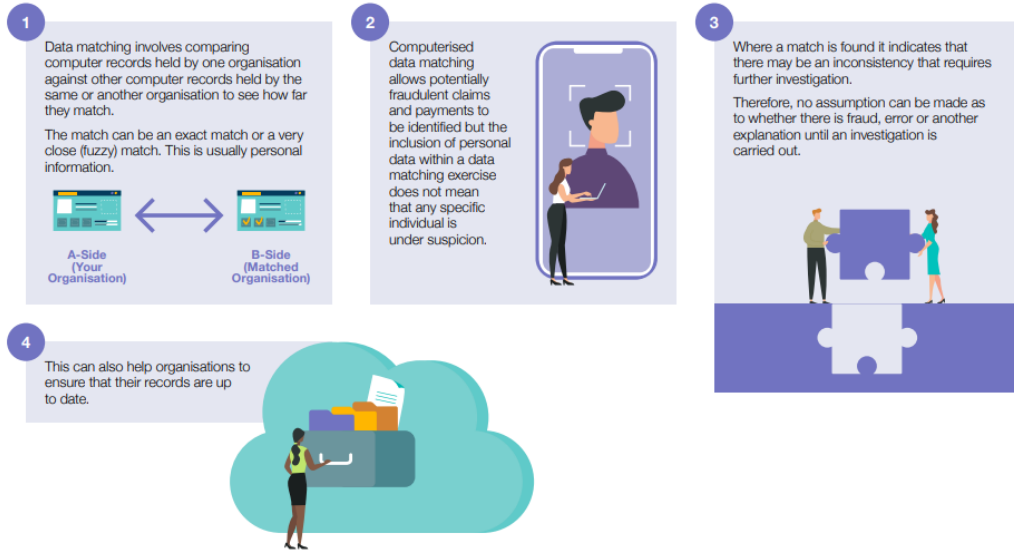
2.1.11 We have responded to 94 requests for information known as a LAIEF (Local Authority Information Exchange Form) from the DWP (Department for Work and Pensions). The lawful requests for intelligence and information vary from evidencing documentation held to providing overpayment adjustments and respective supporting witness testimony.

2.1.12 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.

2.1.13 A total of 82 cases were completed with savings identified through overpayments of circa £58,000. Of these cases 6 received a sanction.

2.1.14 Data Matching

What is data matching?



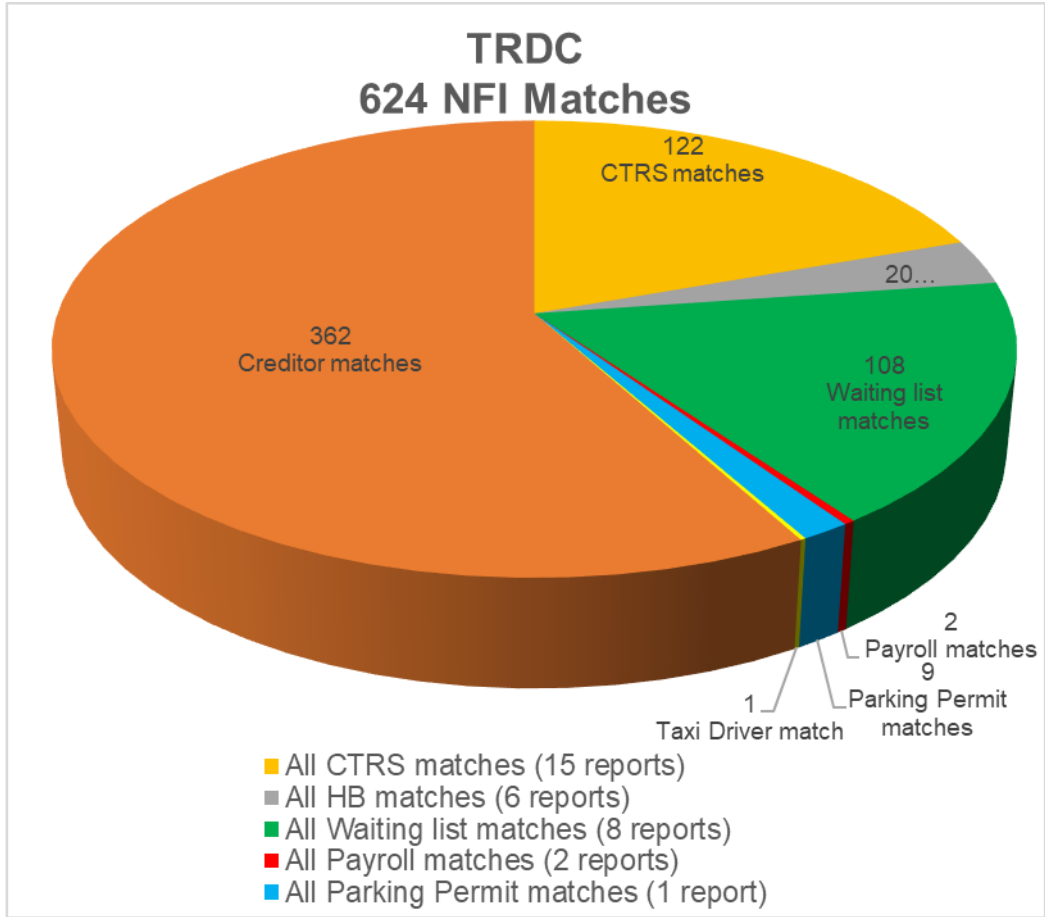
2.1.15 The service continues to take part in data-matching exercises. These include the National Fraud Initiative (NFI) which is facilitated by the Cabinet Office. It is an exercise that brings together a wide range of organisations, working together to tackle fraud using techniques to compare information 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.

2.1.16 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 TRDC/WBC 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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2.1.17 Details are the specific type of matches are shown below;



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 2022/23.

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).

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

5.1 None Specific.

6 Recommendation

6.1 That Members note the content of this report.

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

Data Quality

Data sources: Incase

Data checked by: Garry Turner, Fraud Manager

1	Poor	
2	Sufficient	✓
3	High	

Background Papers

Cipfa Counter Fraud Centre

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AUDIT COMMITTEE – 27 JULY 2023

PART I – DELEGATED

7. STATEMENT OF ACCOUNTS UPDATE (DoF)

1 Summary

1.1 This report sets out the latest position for external audit of the Statement of Accounts for 2019/20, 2020/21, 2021/22 and 2022/23. It also provides an update on the transition to new external auditors for 2023/24 onwards.

2 Detail

2.1 Statement of Accounts 2019/20

2.1.1 The final statement of accounts was provided to the external auditors, Ernst Young (EY), in April. However, EY were not able to progress reviewing these before moving to NHS audit work in May and June. The Audit Manager and Assistant Audit Manager returned to the Three Rivers 2019/20 audit on 4 July.

2.1.2 In undertaking a review of the values in the final statements, including the restatements of the fixed asset registers for 2017/18, 2018/19, additional samples have been requested. This has included 63 additional samples in relation to transactions relating to the South Oxhey initiative, of which 23 were for transactions prior to 2017/18, 14 samples in relation to the rent to mortgage properties, and a further 25 samples for additions in relation to capital expenditure.

2.1.3 At the time of writing, no further changes to the accounts have been identified as a result of this additional testing.

2.2 Statement of Accounts 2020/21

2.2.1 From the beginning of August, EY will make additional resource available to complete the 2020/21 audit. The majority of the audit work is now expected to be concluded by the end of August with signing of the accounts, or delegation to sign the accounts subject to any final audit changes, to be agreed at the Audit Committee meeting in September.

2.3 Statement of Accounts 2021/22

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

2.3.2 It is anticipated that the audit of the 2021/22 accounts will commence in October 2023. The audit is expected to take four to six weeks.

2.4 Statement of Accounts 2022/23

2.4.1 The draft Statement of Accounts 2022/23 was authorised for issue by the Director of Finance and [published on the Council's website](#) on 31 May 2023 in line with the statutory timeframe. The period of public inspection ran from 1 June to 13 July 2023.

2.4.2 The audit of the 2022/23 accounts will follow on as soon as practicable from the conclusion of the 2021/22 audit. The audit is expected to take four to six weeks. It is still hoped that this can be concluded by the end of March 2024.

2.5 Appointment of External Auditors from 2023/24 to 2027/28

2.5.1 It was reported to the Committee in March that Azets Audit Services have been appointed by Public Sector Audit Appointments Ltd (PSAA) as the auditor for the Council for 2023/24 to 2027/28.

2.5.2 An introductory meeting took place between [Paul Grady](#), Partner at Azets, who will be the Council's Key Audit Partner, and the Director of Finance and Head of Finance on 11 July.

2.5.3 Paul Grady will attend the Audit Committee meeting in September to introduce himself and Azets to members of the Committee and set out the approach to the 2023/24 audit.

2.5.4 Azets will start walkthrough work in December 2023 ahead of year end and a draft audit plan will be presented to the Audit Committee in December or March. It is hoped that it will be possible to conclude the audit of the 2023/24 accounts within the Statutory timeframe of 30 September 2024. However, this timetable is dependent on the completion of prior year audits before July 2024.

3 Policy/Budget Reference and Implications

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

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

4.1 None specific arising from this report.

5 Recommendation

The Audit Committee is recommended to:

- Note the progress and latest timetable for completion of the external audit of the statement of accounts for 2019/20 onwards.

Report prepared by: Hannah Doney, Head of Finance

Data Quality

Data sources: None used in the preparation of the report

Background Papers

Statement of Accounts report to Audit Committee March 2023

APPENDICES / ATTACHMENTS

None

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AUDIT COMMITTEE – 27 JULY 2023

PART I – DELEGATED

8. TREASURY MANAGEMENT ANNUAL REPORT 2022/23 (DoF)

1. 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 2022/23. 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 2022/23 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 2022/23, 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	31.3.22 Actual £m	2022/23 Original Budget £m	31.3.23 Actual £m
Total Capital Financing Requirement	36.630	34.550	30.068
Gross borrowing	8.000	8.000	8.000
External debt	8.000		8.000
Investments	24.273		23.216
Net borrowing / (Investments)	(16.273)		(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 2022/22 Treasury Management Policy, as approved by Council on 22 February 2022, 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 2022/23 including the actual prudential and treasury indicators as prescribed by the Prudential Code for Capital Finance (revised 2021) and the Treasury Management Code of Practice (revised 2021).
- 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 2022/23 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.

	2021/22 Actual £m	2022/23 Original Budget £m	2022/23 Actual £m
Capital Expenditure	3.709	5.974	6.700

Financed in Year	(3.441)	(3.071)	(6.700)
Unfinanced Capital Expenditure	0.268	2.903	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 2022/23 MRP Policy, (as required by DLUHC Guidance), was approved as part of the Treasury Management Strategy Report for 2022/23 on 22 February 2022.

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

	2021/22	2022/23	2022/23
Capital Financing Requirement	Actual	Original Budget	Actual
	£m	£m	£m
Opening CFR relating to Capital programme	42.904	31.781	36.630
Add unfinanced Capital Expenditure (as above)	0.268	2.903	0.000
Less MRP	(0.168)	(0.134)	(0.188)
Less repayment of capital loans	(6.374)	0.000	(6.374)
Total Closing CFR	36.630	34.550	30.068

Movement in the CFR	(6.274)	2.769	(6.562)
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Note 1: The CFR may be subject to revision following the completion of the 2019/20, 2020/21 and 2021/22 and 2022/23 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 2022/23. The table below highlights the Council's gross borrowing position against the CFR. The Council has complied with this prudential indicator.

	2021/22 Actual £m	2022/23 Original Budget £m	2022/23 Actual £m
Gross borrowing position	8.000	8.000	8.000
CFR	36.630	34.550	30.068
Under funding of CFR (internal borrowing)	(28.630)	(26.550)	(22.068)

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. The table below demonstrates that during 2022/23 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.

2022/23	Capital Investment
Authorised limit	£39.000m
Maximum gross borrowing position during the year	£8.000m
Operational boundary	£37.000m
Average gross borrowing position	£8.000m
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 2023

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 2022/23 the Council's treasury position (excluding borrowing by finance leases and non treasury investments) was as follows:

Debt Portfolio	31.3.22 Principal	Rate/Return	Average Life years	31.3.23 Principal	Rate/Return	Average Life years
Fixed rate financing:						
PWLB	£8.000m	2.41%	46.5	£8.000m	2.41%	45.5
Total debt	£8.000m	2.41%	46.5	£8.000m	2.41%	45.5
CFR	£36.630m			£30.068m		
Over / (under) borrowing	£28.630m			£22.068m		
Total investments	£24.273m			£23.216m		
Net debt / (Investments)	(£16.273m)			(£15.216m)		

The maturity structure of the debt portfolio was as follows:

	31.3.22 Actual £m	2022/23 original upper limits %	31.3.23 Actual £m	31.3.23 Actual %
Within 50 years	8.000	n/a	8.000	100%

Investment Portfolio	31.3.22 Actual £m	31.3.22 Actual %	31.3.23 Actual £m	31.3.23 Actual %
Treasury investments				
Banks	8.926	36.77%	2.544	10.96%
Local and Police authorities	0.000	0.00%	5.000	21.54%
DMADF (H M Treasury)	13.000	53.56%	13.275	57.18%
Total managed in house	21.926	90.33%	20.819	89.68%
Short Term Fixed Income	2.347	9.67%	2.397	10.32%
Total managed externally	2.347	9.67%	2.397	10.32%
Total Treasury Investments	24.273	100.00%	23.216	100.00%
Non-Treasury investments				
Loans to Joint Ventures	4.695	83.39%	4.695	83.69%
Other Long Term Loans	0.935	16.61%	0.915	16.31%
Total Non-Treasury Investments	5.630	100.00%	5.610	100.00%
Treasury investments	24.273	81.17%	23.216	80.54%
Non-Treasury investments	5.630	18.83%	5.610	19.46%
Total of All Investments	29.903	100.00%	28.826	100.00%

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

	31.3.22 Actual £m	2022/23 Maximum £m	31.3.23 Actual £m
Longer than 1 year	0.000	10.000	0.000
Up to 1 year	24.273	n/a	23.216
Total	24.273		23.216

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.

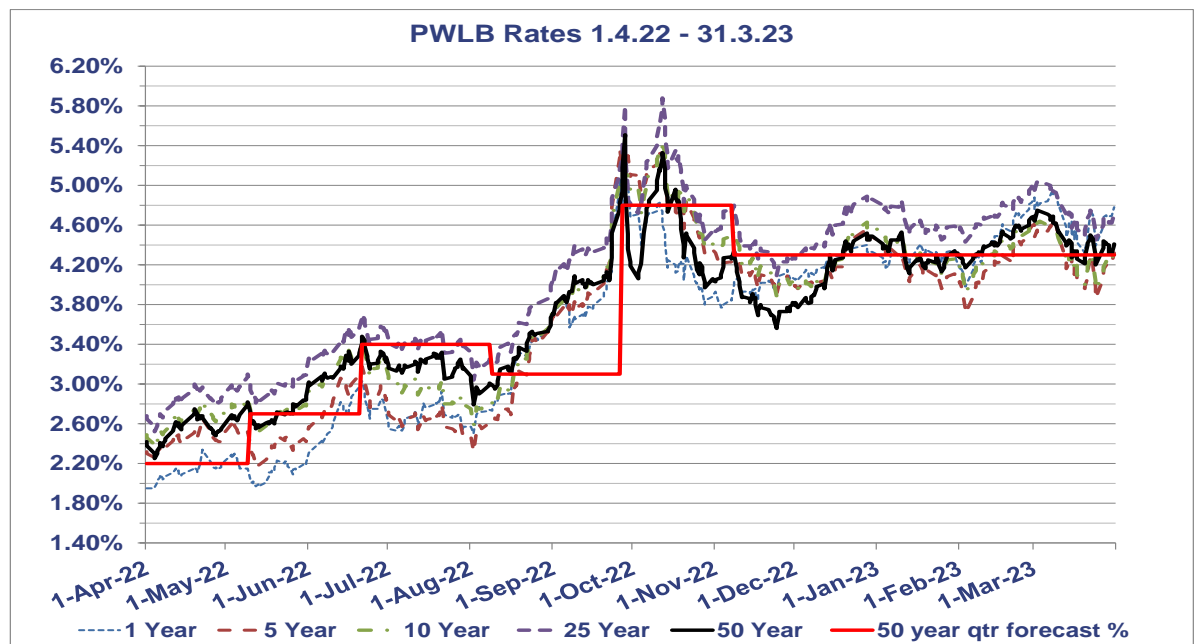
2.10 The Strategy for 2022/23 – Borrowing

2.10.1 When the Capital Strategy and Treasury Management Policy was set in February 2022, interest rate forecasts indicated gradual increases in short, medium and longer-term fixed borrowing rates during 2022/23 with considerable savings to be made by borrowing at the short end of the market.

2.10.2 The forecast provided by Link Group in December 2021 is shown in the following table:

Link Group Interest Rate View 20.12.21														
	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25
BANK RATE	0.25	0.25	0.50	0.50	0.50	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.25
3 month ave earnings	0.20	0.30	0.50	0.50	0.60	0.70	0.80	0.90	0.90	1.00	1.00	1.00	1.00	1.00
6 month ave earnings	0.40	0.50	0.60	0.60	0.70	0.80	0.90	1.00	1.00	1.10	1.10	1.10	1.10	1.10
12 month ave earnings	0.70	0.70	0.70	0.70	0.80	0.90	1.00	1.10	1.10	1.20	1.20	1.20	1.20	1.20
5 yr PWLB	1.40	1.50	1.50	1.60	1.60	1.70	1.80	1.80	1.80	1.90	1.90	1.90	2.00	2.00
10 yr PWLB	1.60	1.70	1.80	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.10	2.20	2.30
25 yr PWLB	1.80	1.90	2.00	2.10	2.10	2.20	2.20	2.20	2.30	2.30	2.40	2.40	2.50	2.50
50 yr PWLB	1.50	1.70	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.20	2.20	2.30	2.30

2.10.3 This contrasts sharply with actual PWLB rates during the year as shown in the following graph as table:



	1 Year	5 Year	10 Year	25 Year	50 Year
Low	1.95%	2.18%	2.36%	2.52%	2.25%
Date	01/04/2022	13/05/2022	04/04/2022	04/04/2022	04/04/2022
High	5.11%	5.44%	5.45%	5.88%	5.51%
Date	28/09/2022	28/09/2022	12/10/2022	12/10/2022	28/09/2022

Average	3.57%	3.62%	3.76%	4.07%	3.74%
Spread	3.16%	3.26%	3.09%	3.36%	3.26%

2.10.4 During 2022/23, the Council maintained an under-borrowed position. This meant that the capital borrowing need, (the Capital Financing Requirement), was not fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow was used as an interim measure. This strategy was prudent as investment returns were initially low and minimising counterparty risk on placing investments also needed to be considered.

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 2022/23 – 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 at the end of 2021/22 were not transitory and had not peaked. The Bank of England base rate was 0.75% on 1 April and moved up in stepped increases of either 0.25% or 0.5% throughout 2022/23, reaching 4.25% by the end of the financial year.

2.12.3 This has led to a rebalancing of the investment landscape with short term cash deposits and other Specified Investments (investments of less than a year in duration) becoming 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 22 February 2022.

- 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.
- 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	31.3.22 £m	31.3.23 £m
General Balances	5.361	4.964
Earmarked reserves	16.050	10.797
Provisions	1.344	3.232
Usable capital receipts	1.148	3.236
Total	23.903	21.229

Note: Values are taken from the unaudited 2022/23 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 £28.972m of internally managed funds.
 - The internally managed funds earned an average rate of return of 2.13%.
 - The comparable performance indicator is the average 7 day Sterling Overnight Index Average (SONIA) rate, which was 2.23%.
 - Total investment income from internally managed funds was £0.577m.
 - Interest on loans to the Council's joint ventures was £0.187m
- 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 at 31 March 2023	Annualised Return	Annualised Benchmark
Short Term Fixed Income	£2.397m	2.13%	2.26%

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: Hannah Doney, Head of Finance

Data Quality

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

Data checked by: Hannah Doney, Head of Finance

Data rating: Tick

1	Poor	
2	Sufficient	
3	High	x

Background Papers

Capital Strategy and Treasury Management Strategy 2022/23 (published as part of the 2022/23 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)

Economic Commentary (Provided by Link Group)

The Economy and Interest Rates

UK. Economy.

Against a backdrop of stubborn inflationary pressures, the easing of Covid restrictions in most developed economies, the Russian invasion of Ukraine, and a range of different UK Government policies, it is no surprise that UK interest rates have been volatile right across the curve, from Bank Rate through to 50-year gilt yields, for all of 2022/23.

Market commentators' misplaced optimism around inflation has been the root cause of the rout in the bond markets with, for example, UK, EZ and US 10-year yields all rising by over 200bps in 2022. The table below provides a snapshot of the conundrum facing central banks: inflation is elevated but labour markets are extra-ordinarily tight, making it an issue of fine judgment as to how far monetary policy needs to tighten.

	UK	Eurozone	US
Bank Rate	4.25%	3%	4.75%-5%
GDP	0.1%q/q Q4 (4.1%/y/y)	+0.1%q/q Q4 (1.9%/y/y)	2.6% Q4 Annualised
Inflation	10.4%/y/y (Feb)	6.9%/y/y (Mar)	6.0%/y/y (Feb)
Unemployment Rate	3.7% (Jan)	6.6% (Feb)	3.6% (Feb)

Q2 of 2022 saw UK GDP deliver growth of +0.1% q/q, but this was quickly reversed in the third quarter, albeit some of the fall in GDP can be placed at the foot of the extra Bank Holiday in the wake of the Queen's passing. Q4 GDP was positive at 0.1% q/q. Most recently, January saw a 0.3% m/m increase in GDP as the number of strikes reduced compared to December. In addition, the resilience in activity at the end of 2022 was, in part, due to a 1.3% q/q rise in real household disposable incomes. A big part of that reflected the £5.7bn payments received by households from the government under the Energy Bills Support Scheme.

Nevertheless, CPI inflation picked up to what should be a peak reading of 11.1% in October, although hopes for significant falls from this level will very much rest on the movements in the gas and electricity markets, as well as the supply-side factors impacting food prices. On balance, most commentators expect the CPI measure of inflation to drop back towards 4% by the end of 2023. As of February 2023, CPI was 10.4%.

The UK unemployment rate fell through 2022 to a 48-year low of 3.6%, and this despite a net migration increase of c500k. The fact remains, however, that with many economic participants registered as long-term sick, the UK labour force shrunk by c500k in the year to June. Without an increase in the labour force participation rate, it is hard to see how the UK economy will be able to grow its way to prosperity, and with average wage increases running at over 6% the MPC will be concerned that wage inflation will prove just as sticky as major supply-side shocks to food (up 18.3% y/y in February 2023) and energy that have endured since Russia's invasion of Ukraine on 22 February 2022.

Bank Rate increased steadily throughout 2022/23, starting at 0.75% and finishing at 4.25%.

In the interim, following a Conservative Party leadership contest, Liz Truss became Prime Minister for a tumultuous seven weeks that ran through September and October. Put simply, the markets did not like the unfunded tax-cutting and heavy spending policies put forward by

her Chancellor, Kwasi Kwarteng, and their reign lasted barely seven weeks before being replaced by Prime Minister Rishi Sunak and Chancellor Jeremy Hunt. Their Autumn Statement of the 17th of November gave rise to a net £55bn fiscal tightening, although much of the “heavy lifting” has been left for the next Parliament to deliver. However, the markets liked what they heard, and UK gilt yields have reversed the increases seen under the previous tenants of No10/11 Downing Street, although they remain elevated in line with developed economies generally.

As noted above, GDP has been tepid throughout 2022/23, although the most recent composite Purchasing Manager Indices for the UK, US, EZ and China have all surprised to the upside, registering survey scores just above 50 (below suggests economies are contracting, and above suggests expansion). Whether that means a shallow recession, or worse, will be avoided is still unclear. Ultimately, the MPC will want to see material evidence of a reduction in inflationary pressures and a loosening in labour markets. Realistically, that is an unlikely outcome without unemployment rising and wage settlements falling from their current levels. At present, the bigger rise in employment kept the ILO unemployment rate unchanged at 3.7% in January. Also, while the number of job vacancies fell for the ninth consecutive month in February, they remained around 40% above pre-pandemic levels.

Our economic analysts, Capital Economics, expect real GDP to contract by around 0.2% q/q in Q1 and forecast a recession this year involving a 1.0% peak-to-trough fall in real GDP.

The £ has remained resilient of late, recovering from a record low of \$1.035, on the Monday following the Truss government’s “fiscal event”, to \$1.23. Notwithstanding the £’s better run of late, 2023 is likely to see a housing correction of some magnitude as fixed-rate mortgages have moved above 4.5% and affordability has been squeezed despite proposed Stamp Duty cuts remaining in place.

As for equity markets, the FTSE 100 started 2023 strongly, rising to a record high of 8,014 on 20th February, as resilient data and falling inflation boosted earnings. But global equities fell sharply after concerns over the health of the global banking system emerged early in March. The fall in the FTSE 100 was bigger than the drop in the US S&P 500. Indeed, at around 7,600 now, the FTSE is 5.2% below its record high on 20th February, while the S&P 500 is only 1.9% lower over the same period. That’s despite UK banks having been less exposed and equity prices in the UK’s financial sector not falling as far. It may be due to the smaller decline in UK interest rate expectations and bond yields, which raise the discounted value of future earnings, compared to the US.

USA. The flurry of comments from Fed officials over recent months suggest there is still an underlying hawkish theme to their outlook for interest rates. Markets are pricing in a further interest rate increases of 25-50bps, on top of the current interest rate range of 4.75% - 5%.

In addition, the Fed is expected to continue to run down its balance sheet once the on-going concerns about some elements of niche banking provision are in the rear-view mirror.

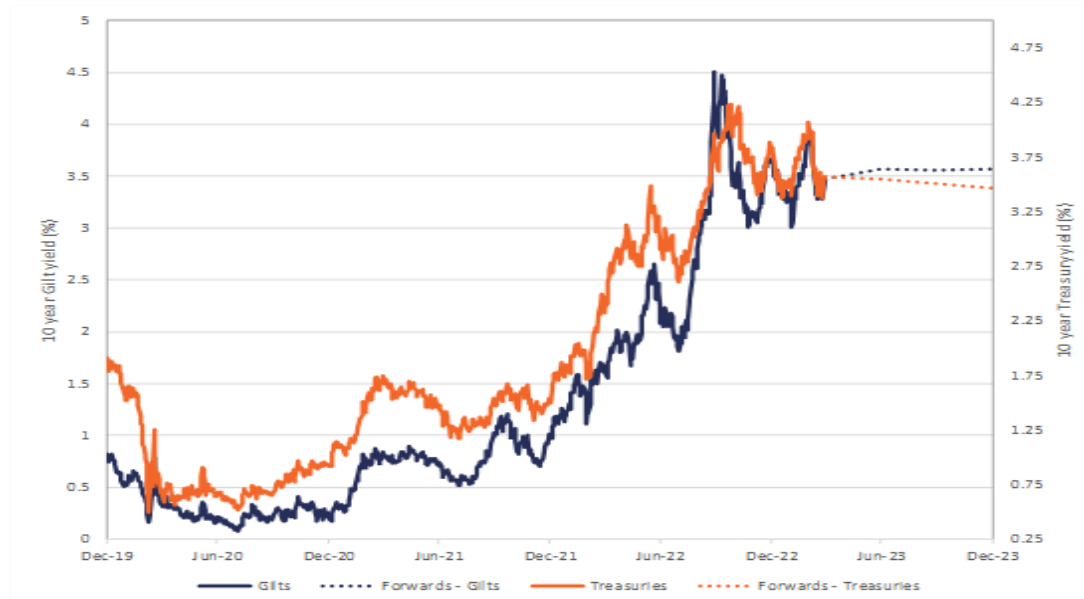
As for inflation, it is currently at c6% but with the economy expected to weaken during 2023, and wage data already falling back, there is the prospect that should the economy slide into a recession of any kind there will be scope for rates to be cut at the backend of 2023 or shortly after.

EU. Although the Euro-zone inflation rate has fallen below 7%, the ECB will still be mindful that it has further work to do to dampen inflation expectations and it seems destined to raise rates to 4% in order to do so. Like the UK, growth has remained more robust than anticipated but a recession in 2023 is still seen as likely by most commentators.

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 persistent inflation that is exacerbated by very tight labour markets and high wage increases relative to what central banks believe to be sustainable.



Gilt yields have been on a continual rise since the start of 2021, peaking in the autumn of 2022. Currently, yields are broadly range bound between 3% and 4.25%.

At the close of the day on 31 March 2023, all gilt yields from 1 to 50 years were between 3.64% and 4.18%, with the 1 year being the highest and 6-7.5 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)

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 first rises to dampen inflationary pressures and a tight labour market, and is then cut as the economy slows, unemployment rises, and inflation (on the Consumer Price Index measure) moves closer to 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, but the scale and pace of this has already been affected by the Truss/Kwarteng "fiscal experiment" in the autumn of 2022 and more recently by the financial market unease with some US (e.g., Silicon Valley Bank) and European banks (e.g., Credit Suisse). The gradual reduction of the Bank's original £895bn stock of gilt and corporate bonds will 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, is an unknown at the time of writing.



Shared Internal Audit Service

Annual Report

2022/23

Annual Report Contents

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Introduction

Welcome to the Shared Internal Audit Service (SIAS) Annual Report for 2022/23.

Reading my introduction to last year's Annual Report, I shared my enjoyment of the Queen's Platinum Jubilee and the reflection that SIAS had entered its second decade at the heart of internal audit in Hertfordshire. Within the last 12 months, we have not only had the State Funeral of Queen Elizabeth II paying tribute to her remarkable reign and life of service, but also the Coronation of King Charles III with its sense of both continuity and an eye on the future. My choice of words is deliberate as I hope they reflect the aspirations of SIAS too!

I was out on one of my long walks recently (there is a link to internal audit and SIAS I promise) and I quite unexpectedly happened upon a friend at a stile on the edge of Wallington. We happily exchanged pleasantries, made enquiries of family, and quickly found ourselves dissecting the world of work. As internal auditors, we often ask the question 'What keeps you up at night?' as a way of burrowing into the risks and challenges we are exploring, so there was a certain novelty having this question posed to me. I had to answer that it was the recruitment and retention of experienced and management level staff, personal and team capacity and sustainability of cover arrangements for vacancies. Never has there been such a challenging recruitment market or such recruitment fatigue, or at least not in my professional life anyway. I expressed gratitude that I was surrounded by wise counsel and good people prepared to go the extra mile. In case you wondered what keeps child carers up at night, it is Ofsted inspections and the local primary school suddenly offering wraparound care in direct competition.

Speaking of good questions, my son came home from school after a lesson on inspirational heroes and asked me 'Who inspires you?' I won't share the answer with my personal hat on (picture a surf hat), but with my professional hat on (perhaps a trilby?), it is the people in networks and relationships who provide comfort, reassurance, support, wisdom, guidance, humour, and camaraderie. To all those who ring out of the blue to ask how I am, respond quickly to a request for help and a steer, debate the issues long into the evening, provide a welcome interlude despite their own busy schedules, offer a safe space to vent, share a laugh and a natter, and are prepared to talk about the cricket, I say a big thank you! You are my inspirational heroes, and that is what helps me navigate challenging times.

SIAS said a sad farewell to team members departing during the year, whether to well-earned retirement, or career opportunities elsewhere. All are thanked for their achievements and contribution to the service and will be greatly missed. 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.

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 2023



Levels of delivery

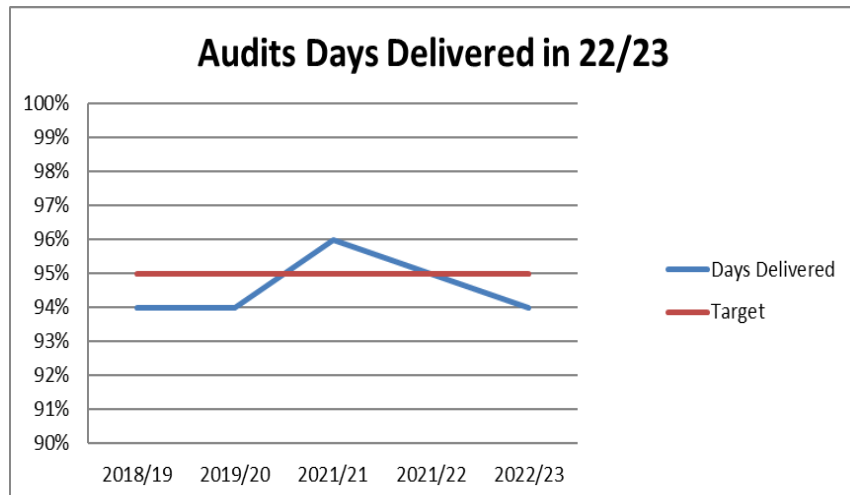
2022/23 presented significant challenges to SIAS in relation to recruitment and retention, these being pressures felt nationally within both local government and the private sector. The availability of experienced Internal auditors is recognised as a particularly challenging area given that it is a niche profession.

In response to the above challenges, SIAS commissioned resource from two additional external partners (Mazars and Veritau) in quarter 4 to support the capacity offered by our co-sourced delivery partner BDO. This allowed SIAS to achieve 94% of planned days and 90% of planned projects to draft report stage, both with targets of 95%.

As the above resource was secured for quarter 4, this resulted in SIAS falling short of the projects PI, however we ensured that at least 95% of projects had reached at least draft report stage by the end of April 2023.

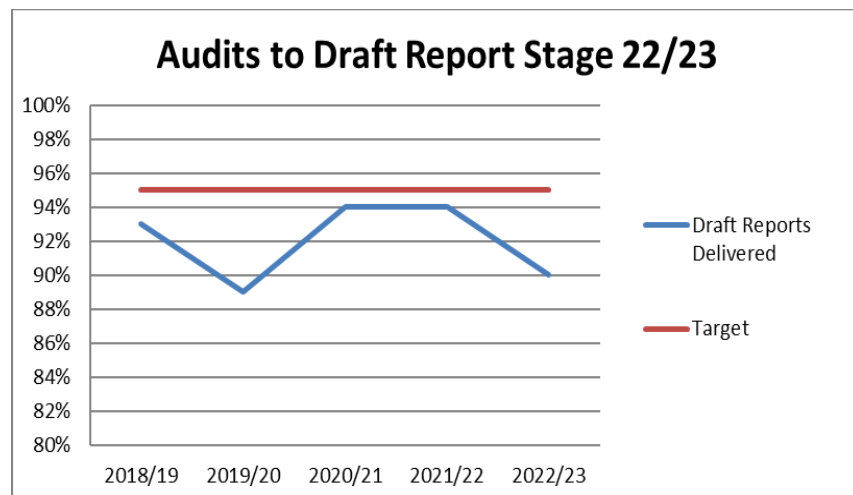
With our key objective being to complete enough work to allow an annual assurance opinion to be provided for each SIAS Partner, we are pleased to report that this was achieved.

Figure 1: Percentage of audits days delivered



Despite the challenges of 2022/23, we delivered our billable days target and achieved within 1% of our 95% project target...

Figure 2: Percentage of audits to draft stage



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 (LACAN), London Audit Group (LAG) 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. This ensured that we could build robust audit plans for 2022/23 and share emerging risks and opportunities.

During 2022/23 we completed the joint audit (covering all Partners) on Environmental Enforcement, which had previously been approved by the SIAS Board. The report issued provided an opportunity for all Partners to contrast their current approach and balance between preventative, educational and enforcement activities to support the achievement of strategic aims.

We have produced and shared our annual summary of high priority recommendations raised during 2022/23, this allowing all Partners to have awareness of key risks, issues and related internal control and governance improvement opportunities for areas that may not have included in their respective audit plans.

During 2022/23, 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 in a time that presents an opportunity to re-look at all aspects of the delivery of the Service post pandemic.

Shared learning happens through the dialogue we have with others...



Managing the challenges of auditing in a changing environment

We worked with Partners to ensure our audit plans remained dynamic and could sufficiently respond to the changing risk environment.

The risk landscape of Local Government has and will continue to be subject to continued and fast paced change. This includes areas such as our partners embracing new technologies such as Artificial Intelligence (AI), Climate Change, significant transformation, demand and resource pressures, changes in the ways of working and the continuing impacts of external political tensions.

SIAS continues to work with our partners to ensure that our planning approach seeks to understand how these risks have impacted each Authority and subsequent assurance requirements. We also ensure that our plans are sufficiently flexible to accommodate emerging risks during the financial year.

During 2022/23, we have continued to progress our journey of embracing more modern and added value auditing techniques, such as embedded assurance, data analytics and assurance mapping. These allow us to use limited internal audit resources to best effect, as well as providing more robust assurance to our Partners.

As a member of key audit networks, we can ensure that we have access to a wealth of intelligence on emerging risks and techniques for providing robust assurance. In addition, through our co-sourced audit arrangement we are also able to use the knowledge and skills of our external partner to have access to specialist skills, or their wider information pool to support other key opportunities such as benchmarking.

As a service, we have continued to embrace and respond to the changing work environment, in particular home working, both in terms of how this may impact on the internal control environment and delivery of audits. We have also sought to embrace the opportunities that this has presented in terms of efficiencies that can be gained from a different way of working.

Overall, we believe that 2022/23 has provided a springboard for SIAS, and Internal Audit Services in general, to pause and reflect on our methodologies and approach for planning and delivering an effective audit service, with this strengthening our assurance offering to our Partners.

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.

During 2022/23, we have continued to implement any remaining outstanding continuous improvement opportunities highlighted during our Public Sector Internal Audit Standards (PSIAS) External Quality Assessment in 2021, with these now fundamentally complete.

Given the previously mentioned challenging recruitment and retention market, we have looked to embrace a 'grow your own' strategy. Whilst this naturally takes time to embed, we were extremely pleased to be able to promote our three trainees to auditor roles during April 2023. This was a testament to their significant work and efforts during their period as a trainee auditor.

To support our aspirations of being a respected internal audit service, we have revisited our training and development offering to our team members. As part of this review, we have created an annual training programme at team level, as well as personal development and progression plans for all team members. We currently have five team members actively progressing their professional audit or

accountancy qualifications, either through apprenticeships or being sponsored by the service.

At the heart of our service is our staff, and we have continued to look at how we can embed a team culture in what is often a more remote working environment. During 2022/23, and following a suggestion from the team, we have created our 'office Wednesday' day. This provides an opportunity for the team to network and ensures face to face time.

We continue to review how we obtain and disseminate learning from our quality review processes is used to support the development of our staff, seeking feedback from team members to support this process.

We have continued to progress best practice auditing approaches such as data analytics and assurance mapping, ensuring that our team members are supported and trained to use these to best effect.

At the core of our service are our team members. During 2022/23 we have revised our approach to training and development and created personal development plans for all team members to support their continued career progression.



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 2022/23 we have received 94% satisfactory or higher feedback rating from our customers.

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

- “The Auditor has extensive knowledge & understanding of payroll processing which made the audit very easy to conduct, she was very clear & concise explaining the change in requirements from previous audits.”
- “This year it was a light touch review, so demand on Officer time was minimal. The audit was carried effectively and very efficiently compared to previous years. Very happy with the service received.”
- “The service received was clear and precise. Carried out in a professional manner. Many Thanks.”
- “Thank you to the Auditor who made the process clear and meaningful. No issues to raise.”
- “Good communication from Auditor. Opportunity to ask questions. Welcomed opportunity to discuss and comment on draft report.”
- “Very happy with the overall service. The Auditor communicated clearly and was approachable and open. The findings and recommendations will help us deliver improvements already identified.”
- “The Auditor was very knowledgeable, professional, polite and very accommodating of time (being year-end).”
- “Great service as usual - good thorough approach balanced with pragmatism.”

“The Auditor was helpful, patient with all my questions (and there were lots!). The process was clear to follow and painless. After the initial worry about if I was going to be able to get all the correct documents together, the auditor put my mind at ease and was kind.”

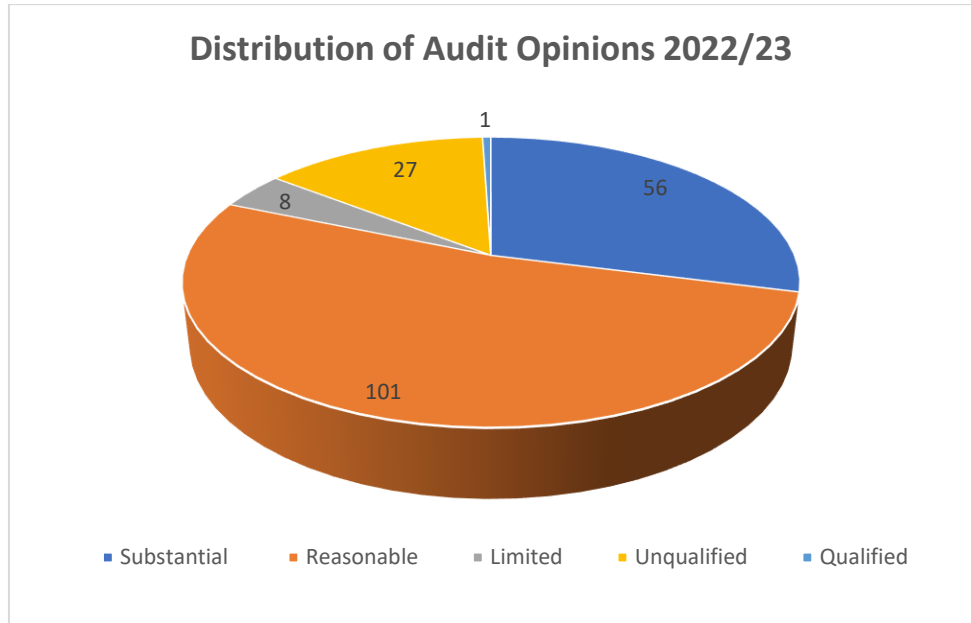


Performance – outcomes

SIAS completed 215 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:

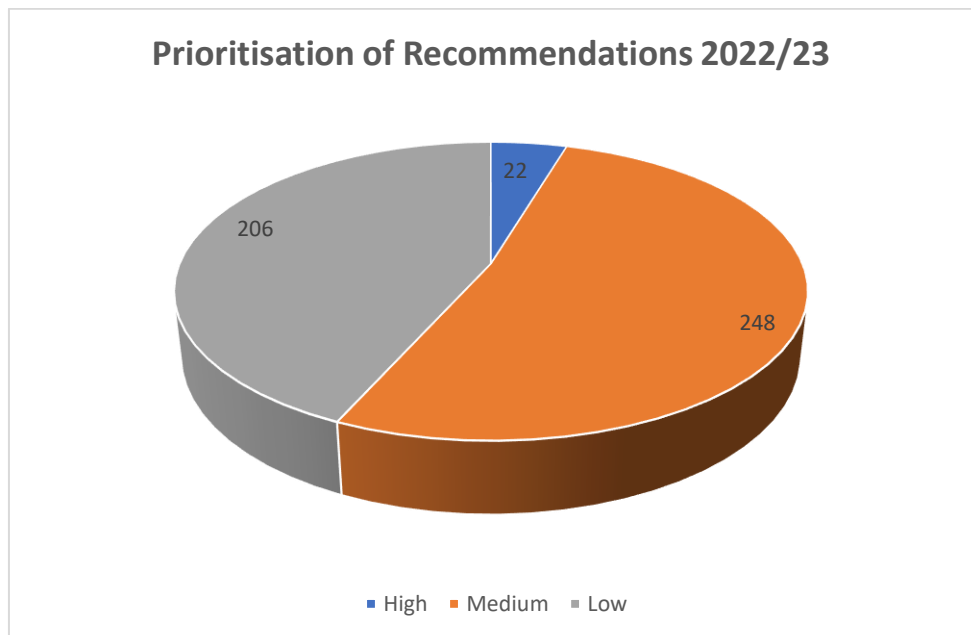
Figure 3: Distribution of Audit Opinions 2022/23



215 assurance and other projects identifying 476 recommendations

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 2022/23



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 2022	Actual as at 31 March 2023
Progress against plan: actual days delivered as a percentage of planned days.	95%	95%	94%
Progress against plan: audits issued in draft by 31 March	95%	94%	90%
Client satisfaction	100% client satisfaction questionnaires returned at 'satisfactory overall' level or above	95%	94%

Financial performance of SIAS

SIAS operates on a fully traded basis. Appendix A sets out the summary financial position at 31 March 2023.

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



Following a recent workshop with the SIAS Board, our key objective for 2023/24 will be create a business plan to set out the medium-term development of SIAS. This will have a particular focus on embracing opportunities to become a modern internal audit service, a longer-term workforce strategy and exploring opportunities for developing our commercial offering.

Following the re-procurement of our external partner contract, re-awarded to our previous provider BDO, we will be focusing on opportunities to embed more intelligence sharing and training to ensure we can better benefit from their skills and experience.

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.

We are progressing the re-procurement of our existing Audit Management software, where the current support for the existing in-house system ending at the end of 2024.

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 2022/23, 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 and Hannah Doney	Director of Finance and Head of Finance	Watford Borough Council and Three Rivers District Council
Chris Wood	Head of Assurance	SIAS

SIAS cost centre: budget against outturn 2022/23

	<u>Budget</u>	<u>Outturn</u>
	<u>£</u>	<u>£</u>
Employee Costs	945,867	709,177
Partner / Consultancy Costs	128,100	349,903
Transport (Travel) & Supplies	42,183	7,242
Office Accommodation Cost	17,005	17,005
	<hr/>	<hr/>
Total expenditure	1,133,155	1,083,327
	<hr/>	<hr/>
Income	-1,152,884	-1,141,832
	<hr/>	<hr/>
Net (surplus) / deficit	(19,729)	(58,505)

Appendix B: 2022/23 Definitions of Assurance Levels and Priority of Recommendations

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.



Three Rivers District Council
Audit Committee Progress Report
27 July 2023

Recommendation

Members are recommended to:

- Note the Internal Audit Progress Report for the period to 14 July 2023
- Approve amendments to the Audit Plan as at 14 July 2023
- Agree changes to the implementation dates for seven audit recommendations (paragraph 2.5) for the reasons set out in Appendices 3 to 6
- Agree removal of implemented audit recommendations (Appendices 3 to 6)

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- 1 Progress against the 2023/24 Audit Plan
- 2 2023/24 Audit Plan Projected Start Dates
- 3-6 Progress against Outstanding Internal Audit Recommendations
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1. Introduction and Background

Purpose of Report

- 1.1 This report details:
- a) Progress made by the Shared Internal Audit Service (SIAS) in delivering the Council's annual audit plan for 2023/24 as at 14 July 2023.
 - b) Proposed amendments to the approved 2023/24 Annual Audit Plan.
 - c) Implementation status of all previously agreed audit recommendations from 2019/20 onwards.
 - d) An update on performance management information as at 14 July 2023.

Background

- 1.2 The work of internal audit is required to be reported to a Member Body so that the Council has an opportunity to review and monitor an essential component of corporate governance and gain assurance that its internal audit provision is fulfilling its statutory obligations. It is considered good practice that progress reports also include proposed amendments to the agreed annual audit plan.
- 1.3 The 2023/24 Annual Audit Plan was approved by Audit Committee on 28 March 2023.
- 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 28 March 2023.

2. Audit Plan Update

Delivery of Audit Plan and Key Audit Findings

- 2.1 At 14 July 2023, 16% of the 2023/24 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 2022/23 final reports have been issued since the March 2023 Audit Committee.

Audit Title	Date of Issue	Assurance Level	Number and Priority of Recommendations
FOI	Mar '23	Reasonable	Three medium
Financial Reconciliations	Apr '23	Substantial	Two low
Houses in Multiple Occupation	Apr '23	Reasonable	One medium Four low

Audit Title	Date of Issue	Assurance Level	Number and Priority of Recommendations
Street Naming & Numbering	Apr '23	Substantial	None
Cyber Security	Apr '23	Reasonable	One medium
Trees	May '23	Reasonable	One medium Two low
Council Tax	May '23	Reasonable	Two medium Two low
NDR	May '23	Reasonable	Four medium
Treasury Management	May '23	N/A	Advisory only
Property Services	May '23	Limited	One high Five medium

No 2023/24 audits have yet been finalised. The Revenues and Benefits system parameter testing review is currently at draft report stage.

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 14 July 2023, with full details given in appendices 3 to 6:

Year	Recommendations made No.	Implemented	Not yet due	Outstanding & request made for extended time or no update provided	Percentage implemented %
2019/20	37	36	1	0	97%
2020/21	25	23	0	2	92%
2021/22	36	32	1	3	89%
2022/23	48	38	8	2	79%

2.5 Since 28 March 2023 Audit Committee, extension to implementation dates have been requested by action owners for seven recommendations as follows:

- One from the 2020/21 Garages audit with a revised target date of 30 September 2023 (was 31 May 2023),

- One from the 2020/21 Debtors audit, with a revised target date of 31 December 2023 (was 30 June 2023),
- One from the 2021/22 S106 audit, with a revised target date of 30 September 2023 (was 31 March 2023),
- One from the 2021/22 Cyber Security audit, with a revised target date of 30 November 2023 (was 30 June 2023),
- One from the 2021/22 Complaints Handling audit, with a revised target date of 30 September 2023 (was 31 May 2023),
- One from the 2022/23 Development Management, Pre-Apps audit, with a revised target date of 31 March 2024 (was 30 September 2023) and
- One from the 2022/23 Council Tax audit, with a revised target date of 30 September 2023 (was 30 June 2023).

Proposed 2023/24 Audit Plan Amendments

- 2.6 A new audit of Revenues and Benefits system parameters has been added to the 2023/24 Shared Services Audit Plan, to review the effectiveness of management controls over the annual system uprating for the revised parameters set by the DWP. The audit days for this review have been taken by making minor adjustments to the audit days on a small number of other projects in the plan.

Reporting of Audit Plan Delivery Progress

- 2.7 To help the Committee assess the current position in terms of progress against the projects in the 2023/24 Audit Plan, an analysis of agreed start dates is shown at Appendix 2. Dates have been agreed with management and resources allocated accordingly.
- 2.8 The 2023/24 Annual performance indicators and targets were approved by the SIAS Board in March 2023. 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 14 July 2023	Actual to 14 July 2023
1. Planned Days – percentage of actual billable days against planned chargeable days completed (excludes unused contingency)	95%	18% (40 / 220 days)	16% (35.5 / 220 days)
2. Planned Projects – percentage of actual completed projects to draft report stage against planned completed projects by 31 st March 2024	95%	12% (2 out of 17 projects to draft)	6% (1 out of 17 projects to draft)

Performance Indicator	Annual Target	Profiled Target to 14 July 2023	Actual to 14 July 2023
3. Client Satisfaction – percentage of client satisfaction questionnaires returned at ‘satisfactory overall’ level (minimum of 39/65 overall)	95%	100%	100% (based on three received)
4. Number of Critical and High Priority Audit Recommendations agreed	95%	95%	100% (based on one high priority recommendation made)

2.9 In addition, the performance targets listed below are annual in nature. Performance against these targets will be reported on in the 2023/24 Head of Assurance’s Annual Report:

- **5. 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.
- **6. Head of Assurance’s Annual Report** – presented at the Audit Committee’s first meeting of the civic year.

APPENDIX 1 INTERNAL AUDIT PLAN 2023/24 – UPDATE ON POSITION AS AT 14 JULY 2023

2023/24 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									
Benefits (Shared Services Plan)						10	No	0	Not Yet Allocated
Debt Recovery (Shared Services Plan)						12	No	0	Not Yet Allocated
Key Financial Controls Testing (Shared Services Plan)						10	No	0	Not Yet Allocated
Main Accounting – Assurance Mapping (Shared Services Plan)						10	No	0	Not Yet Allocated
Payroll (Shared Services Plan)						10	No	0	Not Yet Allocated
Parameters Testing (Shared Services Plan)						3	SIAS	3	Draft Report Issued
Operational Audits									
Agency Staffing (Shared Services Plan)						12	SIAS	0.5	In Planning
Emergency Planning						8	No	0	Not Yet Allocated
Performance Management / Data Quality						15	No	0	Not Yet Allocated
Property Services						10	No	0	Not Yet Allocated
Safeguarding						10	BDO	6	In Fieldwork
Taxi Licensing						9	SIAS	2	Terms of Reference Issued
Temporary Accommodation						8	No	0	Not Yet Allocated

APPENDIX 1 INTERNAL AUDIT PLAN 2023/24 – UPDATE ON POSITION AS AT 14 JULY 2023

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		C	H	M	L				
Watersmeet Theatre						8	SIAS	0.5	In Planning
Contract Management									
Procurement of Play Areas / Small Outdoor Leisure Facilities						8	No	0	Not Yet Allocated
Grant Certifications									
Grant claims – to be determined						4	No	0	Not Yet Allocated
IT Audits									
IT Operations (Shared Services Plan)						15	BDO	2	Terms of Reference Issued
Cyber Security (Shared Services Plan)						15	BDO	0	Allocated – due Q4
To Be Allocated									
Unused Contingency (Shared Services Plan)						0	N/A	0	N/A
Follow-Up Audits									
Follow-up of outstanding audit recommendations						8	Yes	2	Through Year
Strategic Support									
2024/25 Audit Planning						5	Yes	0	Due Q4
Audit Committee						8	Yes	3	Through Year
Head of Internal Audit Opinion						3	Yes	3	Complete

APPENDIX 1 INTERNAL AUDIT PLAN 2023/24 – UPDATE ON POSITION AS AT 14 JULY 2023

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		C	H	M	L				
2022/23									
Monitoring and Client Meetings						7	Yes	2	Through Year
SIAS Development						3	Yes	3	Complete
2022/23 Projects Requiring Completion									
2022/23 Projects Requiring Completion (5 days TRDC plan / 4 days Shared Services Plan)						9		8.5	In Progress
TRDC TOTAL						119		26.5	
SHARED SERVICES TOTAL						101		9	
COMBINED TOTAL						220		35.5	

Key to recommendation priority levels:
 C = Critical, H = High, M = Medium, L = Low

APPENDIX 2 2023/24 AUDIT PLAN PROJECTED START DATES

Apr	May	Jun	July	Aug	Sept
	Parameters Testing (Shared Services Plan) Draft Report Issued	IT Operations (Shared Services Plan) Terms of Reference Issued	Agency Staffing (Shared Services Plan) In Planning	Main Accounting – Assurance Mapping (Shared Services Plan)	Debt Recovery (Shared Services Plan)
	Safeguarding In Fieldwork		Taxi Licensing Terms of Reference Issued	Watersmeet Theatre In Planning	Performance Management / Data Quality

Oct	Nov	Dec	Jan	Feb	Mar
Key Financial Controls Testing (Shared Services Plan)	Benefits (Shared Services Plan)	Payroll (Shared Services Plan)	Cyber Security (Shared services plan)		
Property	Temporary Accommodation	Procurement of Play Areas / Small Outdoor Leisure Facilities	Emergency Planning		

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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 65	01	We recommend that the Council review the systems used to maintain records of Council owned properties.	Medium	<p>Position (July 2022)</p> <p>The Trace (Bluebox) Property Management System 'Trace' was acquired on 31 March 2022. After an extensive procurement process, Trace was chosen as it best satisfied the brief and provided a system accessible for casual users (Customer Services Team) and professional users (Property Services). The test databases were uploaded to Traces' cloud-hosted servers and training on how to operate the system has commenced with a number of Officers from the wider Project Team.</p> <p>The Capita 360 Managed Direct Debit system went live on the 1 April 2022 and has successfully been collecting and processing garage rent payments since that time. This workstream is now complete.</p> <p>Our appointed Trace Project Manager has helped to determine how the data from the Capita Academy System and that held on TRDC's Uniform Idox System can be uploaded into standardised templates, which will allow basic asset information, such as address and UPRN to be established on the system very quickly. As stated previously, Officers anticipate that to fully utilise the Trace system, manual data extraction and input will take up to 18 months.</p> <p>Position (September 2022)</p> <p>Following the July 2022 update, progress on the implementation of the Property Management System continues at pace. Data</p>				

APPENDIX 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 66			<p>held on the Councils IDOX system has been identified and a bulk extraction & cleansing of that a data has commenced.</p> <p>Mapping data held on the Council's ArcGIS system and ownership data held by the Land Registry is being compared, so that an accurate, and up to date ownership 'layer' can be produced. Once completed, this work will significantly reduce the time taken to establish ownership of TRDC assets and respond to customers. The mapping data will be cross-referenced with the Property Management System so that changes in ownership, new lettings or lease terminations can be reflected in the mapping 'spatial' data (mapping layers).</p> <p>The priority since acquiring the Property Management System is to have the garage properties/tenant records populated and the system fully functional for garage management as soon as possible. The Project Team had set a target date of the end of October 2022 to reach that stage and we are well on track to meet that target.</p> <p>Position (November 2022) Basic data on TRDC's property assets is currently being added to the Trace 'upload' spreadsheets and this work is likely to be concluded by the end of 2022. A data extract report is being downloaded from the IDOX system and any useful information will be added to the Trace spreadsheet for uploading to the system.</p>	Head of Property Services / Property & Legal Services Teams	31 January 2024	* On target	

APPENDIX 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 67			<p>A complete ownership layer of assets and unregistered assets has been created by the Council's GIS Officer. This is a major step forward in being able to visually identify land owned or occupied by TRDC, without the need to download Land Registry Office Copies. The next stage is to correlate the data held on the GIS system with data being uploaded in the Trace system – these are likely to be linked by reference to the UPRN (Unique Property Reference Number).</p> <p>The garage management aspect of the Property Management System is now operational. This follows an intensive period of data-loading, testing and training. CSC colleagues are now getting to grips with the new system in order to manage the Council's garage estate. Minor improvements and amendments will e made in the coming weeks and months, but this stage marks a major milestone in the roll out of the Property Management System.</p> <p>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</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 68			<p>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>				

APPENDIX 4 OUTSTANDING RECOMMENDATIONS FROM THE 2020/21 AUDIT PLAN

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

APPENDIX 4 OUTSTANDING RECOMMENDATIONS FROM THE 2020/21 AUDIT PLAN

Garage Income 2020/21							
Final report issued October 2020							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
Page 70			<p>The system which will run alongside this to manage tenancies has now been purchased and is currently being configured by the Property Services Department in conjunction with the supplier.</p> <p>Due to delays with the data transfer the revised timescale is for the system to be live within December 2022 and once the system is up and running procedure notes will be created.</p> <p>Position (March 2023) Training has taken place with staff to show operation and function of the new system. Old garage system has now been turned off. System data is running from April 2022 so currently working off spreadsheets to update the new system. In discussion with Property to produce working manual. Currently working on year end and the new bills for 2023/24 which have seen an increase to new 9 rental bandings.</p> <p>Position (July 2023) Property Services are now managing the garage stock with admin support from Customer Services. Responsibility now lies with the Property Estates Surveyor.</p> <p>Annual rent increase notifications have been sent to all current tenants across 9 rental bandings. New property management system is now live and operational and will now manage all aspects of the garage stock going forwards. Procedure notes are now being finalised for the 2024/25 annual</p>				

APPENDIX 4 OUTSTANDING RECOMMENDATIONS FROM THE 2020/21 AUDIT PLAN

Garage Income 2020/21							
Final report issued October 2020							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
			rent notifications. (30 th September 2023).				

Debtors 2020/21							
Final report issued June 2021							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
03	Consideration should be given to an annual review of debtor accounts to identify duplicate or dormant for deletion or deactivation.	Low	<p>Position (September 2021) A complete review of the entire Sundry Debtor service has recently been commenced and this will be included as part of the review.</p> <p>Position (November 2021) This work is about to start now that the write-off work for Sundry Debts is complete. The whole review of Sundry Debts is still in progress.</p> <p>Position (March 2022) / Position (July 2022) No update provided.</p> <p>Position (September 2022) Finance are going to run and extract this data from the Finance System which Revs & Bens will then check. It may be completed before 30October 2022, it really depends on how many are on the list.</p> <p>Position (November 2022) The lists were provided by Finance mid-September but work has not yet commenced as the entire Revs and Bens Service was delivering the Energy Fuel Rebate payments. Work will commence on the lists, week commencing 14.11.22.</p>	Recovery Team Leader, Revenues Manager and Finance.	31 August 2021	*	31 October 2021 30 October 2022 31 December 2022 30 June 2023 31 December 2023

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 72			<p>Position (March 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>				

APPENDIX 5 OUTSTANDING RECOMMENDATIONS FROM THE 2021/22 AUDIT PLAN

Section 106 2021/22 Final report issued March 2022							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
02	<p>We recommend that the Land and Property Team review examples of information presented to members at other similar councils and identify what information is proportionate and appropriate to share with members (if any) to benchmark the information that could be shared. We then recommend that the team ask Members if they would like information to be circulated to them and what would be useful. This is to ensure the information is relevant and pertinent to members.</p> <p>Depending on the outcome of the above, we recommend that the Land and Property Team regularly report to Members with information they request.</p> <p>Furthermore, we recommend that corporate training is made available to ensure that the Land and Property Team can update the website as required.</p>	Low	<p>Information will be sent to Council Members on a quarterly basis via Members Information Bulletin. A review of information to be given to Members will be requested from other local authorities.</p> <p>Website training will be requested again to ensure that information can be updated as required.</p> <p>Position (July 2022) We are still considering what information would be of interest to Council Members. We have approached other local authorities in this respect, with mixed results. We are investigating information held by departments and how often this information is updated, to ensure that any information given is relevant, of benefit to Members and how often it should be reported. We will require a revised target in this respect. I would suggest that this is extended to the end of this financial year.</p> <p>Position (September 2022) The outstanding recommendation regarding notification of Section 106 information to Council Members is still being considered. It is important that up-to-date and informative information is given to Members in an easy to understand format and this is proving somewhat of a challenge. However, we are endeavouring to achieve this recommendation as soon as possible and at least within this financial year.</p> <p>Position (November 2022) We are continuing to speak to colleagues to</p>	Team Leader for Land and Property	30 June 2022	*	<p>31 March 2023</p> <p>30 Sept 2023</p>

APPENDIX 5 OUTSTANDING RECOMMENDATIONS FROM THE 2021/22 AUDIT PLAN

Section 106 2021/22							
Final report issued March 2022							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
Page 74			<p>ensure the information we have and share is transparent, clear and can be easily understood. We still currently hope to get something in place prior to the end of the financial year.</p> <p>Position (March 2023) We created a further draft version of the information to Members and sent it to colleagues to how easy it was to understand. Based on comments received we have created another simplified version and are currently waiting for feedback. If this version is considered better, we will be able to send it to Members. We will use any comments from Members to make future changes, if required.</p> <p>Position (July 2023) Officers are anticipating completion of the S106 spreadsheet ready for the next Members Information Bulletin (due summer 2023).</p>				

Cyber Security 2021/22							
Final report issued April 2022							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
01	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:	Medium	<p>01 Mar 2022 the Azure AD Password Protection was implemented. Users will not be able to change passwords to weak passwords nor known passwords nor passwords from our Ban List of password.</p> <p>1.1 – requires a third-party tool and</p>	Head of ICT	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 75	<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>associated funding would be required. The implementation of the password protection for Azure AD lowers the risk.</p> <p>1.2 - this would be dependent on the ability to fund with a third-party tool – 1.1.</p> <p>Position (July 2022) Third party tools currently being reviewed and costed. Item not yet due.</p> <p>Position (September 2022) 1.1 - Third party tools have been evaluated and Netwrix has been selected as the preferred tool.</p> <p>1.2 – Netwrix had demonstrated the tool in detail and a 30-day trial to test the system further is available.</p> <p>1.3 – Quotation for 1- and 3-year option has been provided.</p> <ul style="list-style-type: none"> 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) 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</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.						

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 76			<p>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 (March 2023) 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) 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. 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>				
	03	Management should conduct regular monthly vulnerability scans across the entire IT estate including endpoint, to identify and mitigate vulnerabilities including software flaws, missing patches,	Low	<p>This would require additional budget and would need a growth item approved, as there are licence implications for the Qualys scanner.</p> <p>Position (July 2022)</p>	Head of ICT	31 March 2023	*

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 77	misconfigurations and malwares.		Extension of current third party tools currently being reviewed and costed. Item not yet due. Position (September 2022) 1.1- Third party Qualys had introduced a new module which will enable the management of remote devices through the cloud. 1.2 – Both options are currently being evaluated and costed. Decision made will be based on cost, functionality, and management. Position (November 2022) 1.1 – Due to the allocation of a new Account Manager at Qualys and the changes within the licensing structure, Qualys are currently reviewing the proposed quotation to align the requirements with the new licensing structure. 1.2 – Workshop with Qualys has been scheduled to discuss the new proposed licensing structure and the modules which are required to enable the management of the devices remotely through the cloud and not relaying on the VPN. Position (March 2023) Remains in progress, however Associate Director of ICT and Shared services requests an extension of 3 months. This is due to a. Qualys licencing for public sector has recently changed. Awaiting updated quotations. b. In terms of funding, a recent grant award from DLUHC will cover this				

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
			<p>item. Therefore no requirement for additional growth within the ICT service budget.</p> <p>Position (July 2023) 1.1 The quotation from Qualys has been provided to extend the service to include the endpoint vulnerability scanning. This has been handed over to the desktop support team, who are currently reviewing the offering.</p>				

Complaints Handling 2021/22							
Final Report issued May 2022							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
01	<p>We recommend that when a complaint is received, it is not only forwarded to the Head of Service but also to the designated complaints officer within the service.</p> <p>The officer should then immediately log the complaint on Firmstep and monitor timescales through to resolution. This would give the designated officer more context into the complaint and allow them to help adhere to the Council's prescribed timescales for dealing with complaints. Additionally, we recommend that when a complaint is resolved this is noted immediately on Firmstep to ensure accurate information is available.</p>	High	<p>Complaints to be communicated to the Designated Complaints Logging Officer as well as Head of Service/Complaints Officer at time of receipt. Discussions to take place with Departments to find the best way of delivering this across platforms. If via Enquiries email then CSC will email to the designated officer as well as the Head of Service. Logging Officer then responsible with logging the complaint in a timely manner and monitor timescales until resolution. Head of Service/Complaints Officer to send Logging Officer response so complaint can be closed asap on Firmstep.</p> <p>Position (July 2022) We are currently reviewing the Corporate Complaints and Compliments Policy and Procedure with the intention that all complaints are to be logged by the Customer Service</p>	Customer Service Centre Team Manager	31 October 2022	*	<p>30 November 2022</p> <p>31 January 2023</p> <p>31 May 2023</p> <p>30 Sept 2023</p>

APPENDIX 5 OUTSTANDING RECOMMENDATIONS FROM THE 2021/22 AUDIT PLAN

Complaints Handling 2021/22							
Final report issued May 2022							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
Page 79			<p>Centre. Centralising where the complaints are coming into will make us able to log the complaints immediately on receipt and help monitor response time from Departments. Once the complaint is logged it will be sent to the Department's Head of Service to investigate and respond to the complaint.</p> <p>Position (September 2022) We are currently reviewing the Corporate Complaints and Compliments Policy and Procedure with the intention that all complaints are to be logged by the Customer Service Centre. Centralising where the complaints are coming into will make us able to log the complaints immediately on receipt and help monitor response time from Departments. Once the complaint is logged it will be sent to the Department's Head of Service to investigate and respond to the complaint.</p> <p>This revised Compliments & Complaints policy is going to P&R Committee in November and will be put in place following approval.</p> <p>Position (November 2022) The new complaints and vexatious complaints policies were agreed at P&R on 7th November which are now live.</p> <p>Work is taking place in the creation of a new Corporate Complaints Procedure. These should be circulated by January 2023.</p> <p>Position (March 2023) Complaints procedure has been finalised and work is continuing to be done so that members of the public are able to raise a complaint online using the self-service portal.</p>				

APPENDIX 5 OUTSTANDING RECOMMENDATIONS FROM THE 2021/22 AUDIT PLAN

Complaints Handling 2021/22							
Final report issued May 2022							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
			<p>Position (July 2023) We have finalised the wording for the Compliments and Complaints online forms, including internal and external correspondence. The forms have been built. Testing is underway to confirm function and raise any anomalies. This will allow members of the public to raise their complaints online using the self-service portal and Customer Service representatives to raise complaints as soon as they are received whether that is by email, letter, or over the phone. Completing and submitting the form will automatically log an open complaint on the Granicus system. (30th September 2023).</p>				

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Creditors 2021/22							
Final report issued July 2022							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
02	<p>We recommend:</p> <p>1. The Council creates a policy/procedure covering the use of CHAPS and Faster Payments. This will include:</p> <ul style="list-style-type: none"> The criteria which must be met to use CHAPS and Faster payments, The process for requesting and approving these payments, Which officers can request and 	Medium	A process note for CHAPS and Faster Payments will be written along with a scheme of delegation, agreed by S151 Officer and published on the intranet.	Finance Manager (Systems)	26 August 2022	✓	<p>31 October 2022</p> <p>31 December 2022</p> <p>15 March 2023</p> <p>15 April 2023</p>

APPENDIX 5 OUTSTANDING RECOMMENDATIONS FROM THE 2021/22 AUDIT PLAN

Creditors 2021/22							
Final report issued July 2022							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
Page 81	<p>approve these payments and how delegated limits will be set.</p> <p>2. The Council updates the Payment Voucher request procedure to outline the types of payments which are eligible and ineligible to be made using this method.</p> <p>3. The policy and procedures for CHAPS, Faster Payments and Payment Vouchers are communicated/re-communicated to all relevant staff across the Council (e.g., in a corporate communication) and placed on key staff systems such as the Intranet for reference</p>		<p>Agreed and will be published as per the above.</p> <p>Agreed they will be published on the intranets and a communication to all staff.</p> <p>Position - July 2022 Not yet due.</p> <p>Position (September 2022) 1 is resolved ✓ process note created. 2 is resolved ✓ process updated.</p> <p>3 We will publish revised note and new note on the intranet along with Delegated authority listings.</p> <p>New deadline: 31 October 2022</p> <p>Position (November 2022) Process notes have been written.</p> <p>There are issues with intranet, so these will be circulated by email,</p> <p>Delegated authority lists to be run and agreed.</p> <p>Again, there are issues with intranet so these will be published when intranet issues resolved.</p> <p>Position (March 2023) There has been an issue with the intranet,</p>				

APPENDIX 5 OUTSTANDING RECOMMENDATIONS FROM THE 2021/22 AUDIT PLAN

Creditors 2021/22							
Final report issued July 2022							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
			however, two Finance staff are undertaking training and will publish as agreed. New deadline 15 th April 2023. Position (July 2023) The intranet has been updated with the delegated authority lists.				

APPENDIX 6 OUTSTANDING RECOMMENDATIONS FROM THE 2022/23 AUDIT PLAN

Development Management – Pre-Application Fees 2022/23							
Final report issued February 2023							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
01	The Council should update the procedures to record the following information: <ul style="list-style-type: none"> Next review date and/or frequency of review Who reviewed and approved the document. 	Low	Position (March 2023) This can be added to the documents and version control added. Position (July 2023) Version control including next review date and who reviewed/approved the document has been added to all pre-application manuals in February 2023. Next review date is December 2023. Action completed.	DM Team Leader	30 April 2023	✓	
02	The Council should produce a line-by-line breakdown of the pre-application fees and charges and how they relate to the costs of the service to ensure that the costs are recovered fully and all resource requirements are considered adequately.	Low	Position (March 2023) It is proposed to undertake a full cost exercise that will take into account the cost of the team and organisational overheads for setting charges for 2024/25. Position (July 2023) Support from finance team needed to undertake this action. Finance team have to date been occupied by end of year work. HOS and TLs to discuss next steps with finance, however, six month extension suggested at this time to accommodate this work.	Head of Regulatory Services / DM Team Leaders	30 September 2023	*	31 March 2024

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FOI 2022/23							
Final report issued March 2023							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
01	Management should put in place a defined Freedom of Information policy that documents the Council's procedures for complying with the	Medium	Agreed – the current Guide for Managers and Section Heads will be updated to include these recommendations, published on the Intranet and communicated to all staff.	Data Protection Officer	31 May 2023	✓	

APPENDIX 6 OUTSTANDING RECOMMENDATIONS FROM THE 2022/23 AUDIT PLAN

FOI 2022/23							
Final report issued March 2023							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
Page 84	<p>FOI, which should include but not be limited to:</p> <ul style="list-style-type: none"> The procedures for responding to requests in line with the requirements of the FOIA The roles and responsibilities of members of staff The Council's review and appeals process The circumstances under which requests may be refused (exemptions and the public interest test). <p>The policy should be approved and communicated to members of staff and there should be arrangements in place for the policy to be reviewed on a routine basis or following a significant change to the Council's operations.</p>		<p>Position (July 2023) Completed</p>				
	02	<p>Management should perform a training needs analysis to identify and assess the level and type of training required by all members of staff with regards to the FOIA and should develop a mandatory training programme that is based upon these requirements.</p> <p>Training completion should be recorded and monitored, and training records should be maintained for audit purposes.</p>	Medium	<p>Agreed – the current Data Protection / GDPR e-Learning module will be updated to include FOI requests. This will include a mandatory course for all staff to complete. HR keep records of completions and these are reported to CMT quarterly.</p> <p>The FOI intranet page has been updated and communicated to all staff.</p> <p>Position (July 2023) Updated e-learning module has been drafted and will be available by August 2023.</p>	Data Protection Officer	31 August 2023	

APPENDIX 6 OUTSTANDING RECOMMENDATIONS FROM THE 2022/23 AUDIT PLAN

FOI 2022/23							
Final report issued March 2023							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
	Furthermore, the Council should put arrangements in place for raising FOIA awareness, such as e-mail communications to members of staff and updating the information governance section on the Council's intranet to include the requirements of the FOIA and the responsibilities of members of staff.						
03	Management should include an additional field in the Council's FOI request log that would capture the reasons for delays, where this is applicable, to facilitate the reporting and allow for common themes/trends to be captured, analysed and addressed more efficiently.	Medium	Agreed – the additional field has been added to the spreadsheet and will be used as recommended. Position (July 2023) Implemented	Data Protection Officer	31 March 2023	✓	

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Financial Reconciliations 2022/23							
Final report issued April 2023							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
01	We recommend that the reconciliation procedure notes detail the responsible owner as well as the next review date to ensure they remain up-to-date and relevant.	Low	The process notes do name the author of the note; however, we will add a next review date and responsible person. We will introduce a front sheet on each reconciliation to provide all details recommended. Position (July 2023) Process notes are in the process of being updated – on target for completion by deadline.	Chief Accountant	31 August 2023		

APPENDIX 6 OUTSTANDING RECOMMENDATIONS FROM THE 2022/23 AUDIT PLAN

Financial Reconciliations 2022/23							
Final report issued April 2023							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
02	We recommend that the Council ensures that month-end reconciliations are prepared and authorised in a timely manner. Any reasons for delays should either be documented within the tracker or on the reconciliation itself.	Low	Agreed we will add to the tracker commentary if signed late. Reminder to be sent that the completion deadline is for both Preparer and Authoriser. Position (July 2023) Guidance was issued to staff to provide commentary if signed late and reminding preparers and authorisers that the completion date applies to both.	Finance manager – systems shared services	6 April 2023	✓	

Houses in Multiple Occupation 2022/23							
Final report issued April 2023							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
01	We recommend that the Council implement compliance visits to check that the property owner is meeting the licence conditions.	Medium	Strategic Housing Manager to task the Housing Enforcement Officer to organise and undertake compliance visits at all licensed HMOs in the district and for these visits to be recorded on Uniform. Any issues of disrepair or breach of license condition following these inspections will be actioned using existing enforcement procedure by the Housing Enforcement Officer. This may include formal enforcement action. Position (July 2023) Complete	Strategic Housing Manager / Housing Enforcement Officer	15 July 2023	✓	
02	We recommend that the council look to send a notification letter to the property owner at least two weeks before their licence expires to	Low	Strategic Housing Manager to draft and implement a procedure that will ensure that owners of HMO's will be contacted one month prior to the expiry to their licence to remind	Strategic Housing Manager	31 May 2023	✓	

APPENDIX 6 OUTSTANDING RECOMMENDATIONS FROM THE 2022/23 AUDIT PLAN

Houses in Multiple Occupation 2022/23							
Final report issued April 2023							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
	encourage them to contact the Council and renew their licence.		<p>them to contact the Council to organise a renewal of their licence.</p> <p>This procedure will include a letter template that will remind owners that the failure to renew their licence within one month of their current licence expiring will forfeit their right to a licence renewal and may result in formal enforcement action by the Council.</p> <p>Position (July 2023) Complete</p>				
03	<p>We recommend that the service scans the passport sized photographs onto Uniform along with the rest of the evidence requested. This will allow for a clearer audit trail and ensure evidence can all be accessed.</p> <p>Additionally, where the application form is partially or fully incomplete the service should look to follow up and ensure that the applicant fills all forms out in full.</p>	Low	<p>Application form and complete procedure for HMO License application to be reviewed and updated.</p> <p>Final checklist to be drafted that will be signed by the Senior Housing Enforcement Officer/Strategic Housing Manager before any licence awarded.</p> <p>Position (July 2023) Complete</p>	Strategic Housing Manager	31 May 2023	✓	
04	We recommend that the service create an inspection checklist detailing all checks that need to be undertaken during the visit. This would allow the officer to record notes on the checklist and directly upload the sheet to Uniform once the visit has been concluded.	Low	<p>Inspection checklist to be drafted and adopted as part of the updated procedure for HMO Licensing.</p> <p>Position (July 2023) Complete</p>	Strategic Housing Manager	31 May 2023	✓	
05	We recommend that in the future, the service look to apply the red stamp on all Notice of Intention's to show that	Low	The red stamp applied to all Notice of Intentions will be required and will form part of the Final Checklist that will be signed by the	Strategic Housing Manager	31 May 2023	✓	

APPENDIX 6 OUTSTANDING RECOMMENDATIONS FROM THE 2022/23 AUDIT PLAN

Houses in Multiple Occupation 2022/23							
Final report issued April 2023							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
	an appropriate authorisation process has been followed.		Strategic Housing Manager/Senior Housing Enforcement Officer before any license is issued. Position (July 2023) Complete				

Cyber Security 2022/23							
Final report issued April 2023							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
01	<p>Management should review and assess the current cyber security training platform and put arrangements in place so that training completion can be recorded, reported and monitored on an going basis.</p> <p>Arrangements should be put in place for ensuring that the cyber security training is completed by all members of staff, as required, which could include:</p> <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 	Medium	<p>We will review the current cyber security training platform. The current platform is used for all mandatory training for staff.</p> <p>We will review the viability of users not receiving their device until they have completed their cyber-related mandatory training.</p> <p>Position (July 2023)</p> <p>1.1 – A review of alternative training platforms has been conducted and a demo of the products has been provided by the vendors.</p> <p>1.2 - Each product came come at a cost and budget implications are being considered.</p> <p>1.3 - The management of training completion by staff is currently being carried out by HR and members of staff are being notified by email when they are due to complete each training module.</p>	Associate Director of ICT and Shared Services	31 December 2023		

APPENDIX 6 OUTSTANDING RECOMMENDATIONS FROM THE 2022/23 AUDIT PLAN

Cyber Security 2022/23							
Final report issued April 2023							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
	of performance and progression reviews.		1.4 – Starters, Movers, Leaver’s process is currently being updated to ensure that joiners complete the Cyber Security Modules as part of the probation period as per HR Probationary Policy.				

Treasury 2022/23							
Final report issued April 2023							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
01 Page 89	<p>1) The Councils should develop an ESG policy, which ensures that investments are made in consideration with the Councils climate change, environmental and governance policies. The policy should emphasise that the Council seeks to be a responsible investor and consider ESG risks as an important overlay to the investment process, thereby improving future sustainability of investments. Once incorporated, ESG risks should also be included in under the Risk Management section of the Treasury Management Practices document for consistency.</p> <p>2) The policy should also explain that the Councils will not knowingly invest directly in businesses whose activities and practices pose a risk of serious harm to individuals or groups, or whose activities are inconsistent with</p>	Medium	<p>An ESG Policy will be developed for both Councils during 2023/24 for approval alongside the 2024/25 Treasury Management Strategy Statements.</p> <p>Position (July 2023) Guidance has been provided by our Treasury Management providers and we are on target to include an ESG policy within the 2024/25 Treasury Management Strategy Statements.</p>	Head of Finance	30 November 2023		

APPENDIX 6 OUTSTANDING RECOMMENDATIONS FROM THE 2022/23 AUDIT PLAN

Treasury 2022/23							
Final report issued April 2023							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
	<p>the Council's mission and values.</p> <p>3) The policy should outline the conditions where investments should not be made with certain organisations, which have material links to:</p> <ul style="list-style-type: none"> • Human rights abuse (e.g., child labour, political oppression) • Environmentally harmful activities (e.g., pollutants, destruction of habitat, fossil fuels) • Socially harmful activities (e.g., tobacco, gambling). 						

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Tree Management 2022/23							
Final report issued May 2023							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
01	The Council should ensure that due dates/estimated completion time frames are included for both high priority and routine works awarded to contractors, to ensure these actions are followed up.	Medium	<p>Due dates are now included on all jobs, regardless of their priority level.</p> <p>Position (July 2023) Completed</p>	Principal Trees and Landscapes Officer And Trees and Landscapes Officers	Completed (18 April 2023)	✓	
02	The Council should ensure that the updates to contractor insurance details which are obtained on an ad-hoc basis are included on the contractor database and ensure that these updates are communicated effectively amongst the Trees and	Low	Up to date insurance policies had been obtained but the database had not been updated with this information. In addition a shared calendar has now been put in place so that all Officers have access to when insurance policies are due for renewal.	Principal Trees and Landscapes Officer And Trees and Landscapes Officers	Completed (18 April 2023)	✓	

APPENDIX 6 OUTSTANDING RECOMMENDATIONS FROM THE 2022/23 AUDIT PLAN

Tree Management 2022/23 Final report issued May 2023							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
	Landscapes team.		Position (July 2023) Completed				
03	The Council should ensure that appropriate follow up is undertaken on all cases where an inspection has been completed but the recommendations are still 'live' in the Ezytreev system before they migrate fully to the new risk-based prioritisation method.	Low	An updated procedure is now in place whereby once a job is complete, the responsible Officer will update the Ezytreev system. Position (July 2023) Completed	Principal Trees and Landscapes Officer And Trees and Landscapes Officers	Completed (18 April 2023)	✓	

Council Tax 2022/23 Final report issued May 2023							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
01	TRDC should ensure that a review of debt outstanding is conducted and decisions taken regarding whether or not to proceed for write-offs. Subsequently, write-offs should be conducted at regular intervals going forward. 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.	Medium	A review of all outstanding debt will be completed during 2023/24. All outstanding write-offs have been cleared since this report was written and on-going write-offs will be reviewed once a quarter. Agreed. Our quality team will get a version control sheet added. Position (July 2023) The review of all debt is underway, and this will include looking at debts suitable for write-off. The write-offs for Q1 are being prepared. Version control has been added to all	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
			procedures.				
02	<p>Staff should be reminded of their responsibility to record accurate details on the system to ensure that Council Tax is accurately charged and collected.</p> <p>The Council should liaise with the tenant who was offered discount incorrectly from April 2022 instead of August 2022 to recover the financial loss incurred by the Council.</p>	Medium	<p>Agreed. Regular reminders for the need to be accurate are given at all team meetings and officers are given their individual accuracy rates and which are discussed at 121's. Quality control checks are performed on a sample of each day's work.</p> <p>Position (July 2023) Complete</p>	Revenues Manager/Data Performance Manager	Complete	✓	
03	<p>The Council should complete the working papers and retain them on the shared drive to evidence that the reconciliations have been completed. The working papers should include the name of the officer completing the reconciliation along with the date of completion for accountability purposes. Any variations should also be noted, alongside the results of the reconciliation exercise.</p>	Low	<p>Agreed</p> <p>Position (July 2023) Resolved</p>	Revenues Manager	30 May 2023	✓	
04	<p>The Council should document the processes relating to backdated discounts and exemptions to ensure that consistent actions are undertaken by staff and these refunds are appropriately reviewed and approved prior to payment.</p>	Low	<p>Agreed.</p> <p>Position (July 2023) The document for backdating an SPD has been documented. We will incorporate the approach for all the other types of discount and exemptions so that it the guidance is held in once process.</p>	Revenues Manager/Data Performance Manager	30 June 2023	*	30 Sept 2023

APPENDIX 6 OUTSTANDING RECOMMENDATIONS FROM THE 2022/23 AUDIT PLAN

NDR 2022/23 Final report issued May 2023							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
01	<p>We recommend that:</p> <ul style="list-style-type: none"> • Actions are taken to address the issue preventing the production of the monthly 'default arrangement list' and (subject to the issue being successfully resolved), arrangements are put in place for Senior Officers to check that these are being actioned appropriately. • As an interim measure, Revenues Officers should be reminded to diarise arrangements to enable checks to be conducted to confirm arrangements are being complied with. 	Medium	<p>The default arrangements list is working and being run. During 2022/23 much of the BAU recovery work slipped due to the service having to process energy and business grants (CARF). During 2023/24 all recovery work will be reviewed, and this will include a review of arrangements that have defaulted.</p> <p>Position (July 2023) Review is currently underway.</p>	Revenues Manager	31 March 2024		
02	<p>We recommend that:</p> <ul style="list-style-type: none"> • Seven-day lists are produced and actioned at regular interval (e.g. monthly). • Arrangements are put in place for Senior Officers to check that these are being actioned appropriately. 	Medium	<p>The 7 day list is working and being run. During 2022/23 much of the BAU recovery work slipped due to the service having to process energy and business grants (CARF). During 2023/24 all recovery work will be reviewed, and this will include a review of arrangements that have defaulted.</p> <p>Position (July 2023) Review is currently underway.</p>	Revenues Manager	31 March 2024		
03	<p>We recommend that write-offs are conducted at regular intervals going forward (e.g. monthly).</p>	Medium	<p>During 2022/23 much of the BAU recovery work slipped due to the service having to process energy and business grants (CARF). All write-offs have now been processed and are up-to-date and will be done going forward at least quarterly.</p> <p>Position (July 2023)</p>	Revenues Manager	Complete	✓	

APPENDIX 6 OUTSTANDING RECOMMENDATIONS FROM THE 2022/23 AUDIT PLAN

NDR 2022/23							
Final report issued May 2023							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
			Complete				
04	<p>We recommend that:</p> <ul style="list-style-type: none"> Write-offs are approved in accordance with the scheme of delegated authority for the Council's. Write-offs for consideration / approval by Committee are timetabled on an on-going basis through the year. <p>Monthly write-off schedules (excel spreadsheets) for the corresponding Write-off Form, should be provided to the S151 to enable independent checks to be performed on transaction details (i.e. values and reasons).</p>	Medium	<p>The S151 is sent the write-off spreadsheet.</p> <p>The number of write-offs needing committee approval are very few given the S151 delegated powers. Going forward any write-offs that are outside of the S151 delegated powers will be taken to committee once a year.</p> <p>Position (July 2023) Complete</p>	Revenues Manager	Complete	✓	

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Property Services 2022/23							
Final report issued May 2023							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
01	<p>The Council should ensure that:</p> <ul style="list-style-type: none"> Records of tenanted and void properties are accurate. Direct debits are set up for tenanted properties. Direct debits are not set up for void properties. 	High	<p>The findings are noted. A thorough review of unit occupancy has been carried out. The issue with the TRAMPS system has been identified and a fix will be provided by Trace Solutions in June to rectify this going forward.</p> <p>It is proposed that following any change of tenancy data input by the Customer Services team, the Property Team will check that the changes have been appropriately made and cross-checked with the Direct Debit system.</p>	Facilities Manager	<p>30 June 2023</p> <p>Implemented immediately</p>	<p>✓</p> <p>✓</p>	

APPENDIX 6 OUTSTANDING RECOMMENDATIONS FROM THE 2022/23 AUDIT PLAN

Property Services 2022/23 Final report issued May 2023							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
			<p>It is further proposed that random 'data quality' cross checks are undertaken by the Property Team as part of the business-as-usual operation of the Property Management System.</p> <p>Position (July 2023) Completed</p>				
02	The Council should resolve any discrepancies and ensure that garage data is complete, with no missing or duplicate garages.	Medium	<p>The discrepancies identified as part of the audit were corrected in April 2023.</p> <p>A manual check of records has been undertaken to ensure that all garage records are included on the TRAMPS system. Transferred data has been and continues to be checked for quality and accuracy.</p> <p>Position (July 2023) Completed</p>	Facilities Manager	Complete	✓	
03	The Council should ensure that it is aware of all records which were held outside of the Capita System, and that once the information is fully implemented within the TRAMPS system these external records are deleted.	Medium	<p>This recommendation is noted and Officers will continue to observe all data protection and GDPR guidance with respect to data security.</p> <p>External records will be deleted once this stage of work is complete.</p> <p>A wider Council review of direct debit data transfer is being carried out. As part of this a data upload into the TRAMPS system is being considered.</p> <p>Position (July 2023) Data protection and GDPR guidance continues to be followed by Officers. Completion date remains on target.</p>	Facilities Manager	31 December 2023		

APPENDIX 6 OUTSTANDING RECOMMENDATIONS FROM THE 2022/23 AUDIT PLAN

Property Services 2022/23 Final report issued May 2023							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
04	The Council should review current staff access rights and ensure that access rights are set up in line with role requirements.	Medium	Support from Trace Solutions trainers has been obtained and the Property Team are aware of how administrative privileges and access can be granted and amended. Users have since had their access privileges revised to reflect this recommendation. Position (July 2023) Completed	Facilities Manager	Complete	✓	
05	The Council should ensure that reconciliation checks are documented in a clear way in order to demonstrate and provide assurance that information within TRAMPS is accurate and complete.	Medium	A documented process will be written to explain how reconciliation checks have been undertaken and to demonstrate sufficient confidence that the information uploaded into the TRAMPS system is accurate. Position (July 2023) Completed	Facilities Manager	30 June 2023	✓	
06	The Council should investigate why reports are not pulling through the expected data. Furthermore, the Council should ensure that staff are sufficiently trained with TRAMPS in order to use the software.	Medium	The Property Team has been in discussions with Trace Solutions trainers. This has been identified as an issue with the system and a fix will be implemented in June to resolve the error. We note the comments regarding training and this continues to be provided by TRAMPS as part of the implementation of the system. Following training we are now able to produce more tailored reports. Position (July 2023) Fix has been applied and data is now correct. Training continues to be provided by the TRAMPS team and in house knowledge is being shared. We also have	Facilities Manager	30 June 2023	✓	

APPENDIX 6 OUTSTANDING RECOMMENDATIONS FROM THE 2022/23 AUDIT PLAN

Property Services 2022/23 Final report issued May 2023							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
			access to a new online portal as part of the software. The TRAMPS helpdesk is now being used to support any queries.				

APPENDIX 7 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.

AUDIT COMMITTEE – 27 JULY 2023

PART I – DELEGATED

11. FINANCIAL AND BUDGETARY RISKS (DoF)

1. Summary

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

2. Details

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

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

3. Options and Reasons for Recommendations

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

4. Policy/Budget Reference and Implications

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

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

5.1 None specific.

6. Recommendation

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

Report prepared by: Hannah Doney, Head of Finance

Data Quality

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

Data checked by: Head of Finance.

Data rating:

1	Poor	
2	Sufficient	
3	High	√

Background Papers

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

APPENDICES / ATTACHMENTS

Appendix 1 - Financial Risk Register

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

Date risk added to register	Risk ref	Risk owner	Category	Risk description	Comment	Likelihood score (inherent)	Impact score (inherent)	Inherent risk score	Risk controls	Risk control owners	Likelihood score (residual)	Impact score (residual)	Residual risk score	Risk direction	Action plan	Action plan owners	Action plan completion dates
Apr-06	FIN11	Director of Finance	Budgetary	Inaccurate estimates of fees and charges income and / or estimates of cost of delivering chargeable services result in budgetary pressure.	A budget pressure is created due to income shortfalls or increased expenditure	3	2	6	Budget levels realistically set and closely scrutinised	Service Heads/Head of Finance	2	2	4	→	Fees and charges, including and surplus or loss are monitored through budget monitoring with key income streams reported to CMT.	Service Heads	Continuous
Apr-06	FIN12	Director of Finance	Budgetary	The Council loses the ability to recover VAT as a result of exceeding the partial exemption threshold resulting in budgetary pressure.	If the council's expenditure on functions for which it receives income that is exempt for VAT purposes exceeds 5% of its total vatable expenditure, then the Council may lose its ability to recover VAT on all of its exempt inputs. This is mitigated by close monitoring of exempt supplies and prudent VAT planning. The Council elects to tax on development schemes.	2	4	8	VAT Planning and opt to tax on schemes. VAT advisers employed.	Head of Finance	1	4	4	→	Partial Exemption Review is undertaken annually with support provided by the Council's external tax advisors, PS Tax. The Council continue to opt to tax land where appropriate.	Head of Finance	Continuous
Dec-13	FIN13	Director of Finance	Budgetary	The estimated cost reductions and additional income gains set out in the MTFP are not achieved resulting in an unplanned and unsustainable use of reserves.	Savings identified and included in the budget will be monitored as part of the budget monitoring process. See fees and charges above. MTFP agreed for next three years.	2	3	6	Service Heads to take responsibility for achieving savings. Budget monitoring to highlight any issues to allow corrective action to be taken.	Service Heads/Head of Finance	2	2	4	→	Budget process to clearly identify savings to be achieved and ensure clarity over responsibility over delivery. Savings to be challenged.	Head of Finance	Continuous
Apr-06	FIN14	Director of Finance	Budgetary	The Council is faced with potential litigation and other employment related risks	The Council has no outstanding litigation cases.	2	3	6	Council procedures are adhered to	Solicitor to the Council	1	3	3	→	Adherence to council procedures to be monitored and procedures maintained.	Solicitor to the Council	ongoing

Date risk added to register	Risk ref	Risk owner	Category	Risk description	Comment	Likelihood score (inherent)	Impact score (inherent)	Inherent risk score	Risk controls	Risk control owners	Likelihood score (residual)	Impact score (residual)	Residual risk score	Risk direction	Action plan	Action plan owners	Action plan completion dates
Dec-13	FIN18	Director of Finance	Budgetary	Business Rates Retention fluctuates impacting on the amount of funding received by the Council.	From April 2020 the system was due to be subject to reset and increase to 75% retention resulting in a loss of growth. This has been further postponed to 2025/26. However, the significant revaluations for 2023 introduce additional risk of appeals which could result in a reduction to income.	3	4	12	Maintain reserves against risk.	Head of Finance	3	3	9	→	Hertfordshire CFOs have commissioned work from LG Futures to assess the impact. SDCT also looking at impact nationally.	Director of Finance	Continuous
Jul-16	FIN20	Director of Finance	Budgetary	Failure of ICT systems	The Council's integrated Financial Management System (FMS) is held on an ICT platform. If this were to fail then potentially there will be a loss of functionality occurring during any downtime.	3	2	6	System migrated to latest version. Payments system updated.	Head of Finance	1	2	2	→	Monitor reliability	Head of Finance	Continuous
Mar-18	FIN21	Director of Finance	Budgetary	Property Investment	The Property Investment Board manage its property portfolio in order to secure additional income to support its general fund.	2	3	6	Portfolio to be actively managed to maintain income levels. Income to be reviewed regularly when MTFP is updated.	Head of Property Services	1	3	3	→	PIB to assume responsibility for ongoing oversight.	Head of Property Services	Continuous
Sep-18	FIN23	Director of Finance	Budgetary	Commercial Investment	The Council has limited options to further improve self sustainability through commercial investment following changes to the the Prudential Code for Capital Finance and changes to PWLB borrowing regulations. Currently there is a	3	2	6	Oversight mechanisms to be put in place to ensure oversight by PIB or similar mechanism. Council to determine approach to risk and level of income dependency within budget.	Head of Finance	2	2	4	→	Monitor new developments. Investments overseen by the cross party Shareholder and Commercial Ventures Panel.	Head of Property Services	Continuous
Nov-19	FIN 24	Director of Finance	Service	Loss of Key Personnel	As the Council becomes more complex in its financial arrangements, key skills become more important.	3	4	12	Improve depth of skills and knowledge. Bring in temporary additional resources as necessary.	Head of Finance	1	3	3	→	Following a revision of job descriptions, minor amendments to the structure, and a successful recruitment campaign during 2022/23, the Finance team is currently fully staffed. All staff have an annual Personal Development Review which contains smart objectives including objectives related to career development and identification of training needs and opportunities.	Chief Executive/ Director of Finance	Continuous

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AUDIT COMMITTEE – 27 JULY 2023

PART I – DELEGATED

12. COMMITTEE'S WORK PROGRAMME (DoF)

1 Summary

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

2. Details

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

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

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

2.3 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 2023/24		
Date	Report	Officer Responsible
28 September 2023	<p>TRAINING: Risk Management</p> <ul style="list-style-type: none"> • Risk Management Framework • External Annual Audit Letter 2019/20 • Approval of the 2020/21 Accounts and External Auditors Report • External Auditor Audit Plan 2021/22 • Introduction to Azets – External Auditors appointed from 2023/24 • Standing Items 	<p>Emergency Planning and Risk Manager</p> <p>Emergency Planning and Risk Manager External Auditor Head of Finance and External Auditor External Auditor External Auditor</p>
8 December 2023	<p>TRAINING: Treasury Management</p> <ul style="list-style-type: none"> • Treasury Management Mid-Year Report 2023/24 • Draft Treasury Management Strategy Statement 2024/25 • External Audit Annual Letter 2021/22 • Approval of the 2021/22 Accounts and External Auditors Report • External Auditor Audit Plan 2022/23 • External Auditor Plan 2023/24 • Standing Items 	<p>Head of Finance</p> <p>Head of Finance</p> <p>Head of Finance</p> <p>External Auditors Head of Finance and External Auditor External Auditor External Auditor</p>
21 March 2024	<p>TRAINING: Internal Audit</p> <ul style="list-style-type: none"> • Annual Audit Letter 2021/22 • Accounting Policies 2023/24 • Approval of the 2022/23 Accounts and External Auditors Report • Standing Items 	<p>Client Audit Manager</p> <p>External Auditors Head of Finance Head of Finance and External Auditor</p>
Financial Year 2024/25		

May 2024	TRAINING: Statement of Accounts	Head of Finance
	• Treasury Management Annual Report 2023/24	Head of Finance
	• SIAS Annual Assurance Statement & Internal Audit Annual Report	Client Audit Manager
	• Approval of the draft Statement of Accounts 2023/24 and Annual Governance Statement	Head of Finance
	• Annual Audit Letter 2022/23	External Auditor
	• Standing Items	

3 Options/Reasons for Recommendation

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

4 Policy/Budget Implications

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

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

5.1 None specific.

6 Recommendation

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

Background Papers

Reports and minutes – Audit Committee

Report prepared by: Hannah Doney – Head of Finance

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