
AUDIT COMMITTEE MINUTES

Of a meeting held in the Penn Chamber, Three Rivers House, Rickmansworth on Tuesday 29 March 2022 from 7.30pm to 20.12pm

Members of the Audit Committee:

Keith Martin (Vice-Chair in the Chair) Ruth Clark	Tony Humphreys Shanti Maru
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Officers: Hannah Doney (Head of Finance)
Phil King (Emergency Planning and Risk Manager)
Lorna Attwood (Committee Manager)

Also present: Alan Cooper, Client Audit Manager (SIAS)

Also present via teleconference for item AC 46/21: Simon Luk (Ernst &Young)

COUNCILLOR KEITH MARTIN VICE CHAIR IN THE CHAIR

AC 41/21 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors Margaret Hofman, Joan King and Alison Wall, with Councillor Shanti Maru acting as a substitute for Councillor Wall

AC 42/21 MINUTES

The Minutes of the Audit Committee meeting held on 7 December 2021 were confirmed as a correct record by the Committee and were signed by the Vice-Chair as Chair of the meeting.

AC 43/21 NOTICE OF OTHER BUSINESS

Vice Chair advised that since the agenda was published item 8 has been split into two items of business 8 and 8a – all the reports/appendices for the item were published 5 working days in advance but was agreed with the Chair and Vice Chair (chairing the meeting) that the items can be taken separately at the meeting as urgent so that the internal audit work is not delayed.

Vice Chair advised that an additional appendix has been provided for item 7 – review of risk management arrangements to assist in considering the item.

AC 44/21 DECLARATIONS OF INTEREST

There were no declarations in interest.

AC 45/21 STATEMENT OF ACCOUNTS

The Head of Finance presented an overview of the Statement of Accounts.

Starting with 2019/20 it was reported that good progress had been made on the work with External Auditors to agree revisions to the fixed asset register. The report at section 2.1 gave background information as to why the fixed assets were an important focus for the 2019/20 audit. Due to the pandemic at the end of the 2020 financial year many valuation reports contained material uncertainty as valuers had found it difficult to value assets at that time. This meant that there was more focus on fixed assets for all Local Authorities in terms of the audits for 2019/20.

The National Audits Office had identified an issue with infrastructure assets on a national level and there had been a moratorium placed on the signing of any Local Authority accounts. The impact of this issue was being considered with the auditors for Three Rivers but the Committee noted that there were not huge values on the Council's balance sheet for infrastructure assets.

Assets were also depreciated so it would be unlikely they would have a material carrying value on the balance sheet although the auditors would also need to consider the gross book value and accumulated depreciation held in the accounts when assessing the impact on the accounts.

When the 2019/20 accounts had been finalised those values would be carried forward to 2020/21 and the revised version would be handed to the auditors. It was hoped that a draft report would be available for the next Audit Committee in July.

The Head of Finance reported that overall, external auditors were behind in signing off Local Authority accounts and still had 52% of audits outstanding. For financial year 2019/2020 there were 70 Local Authorities that had not been signed off.

With regards to 2021/2022, the Head of Finance asked the Committee to ratify the accounting policies that were set out by the Shared Director of Finance.

Councillor Ruth Clark moved the recommendation that the Committee ratify the draft Accounting Policies for 2021/22, seconded by Councillor Tony Humphreys.

On being put to the Committee the recommendation was declared CARRIED by the Vice Chair as Chair of the meeting with the voting being unanimous.

RESOLVED:

The draft Accounting Policies for 2021/22 be ratified (as detailed in Appendix 1 to the report).

AC 46/21 VERBAL UPDATE FROM THE EXTERNAL AUDITORS

A verbal update was given by Simon Luc from Ernst & Young.

Simon advised that the update given by the Head of Finance had summarised what Members needed to be aware of. The audit was going to be completed as soon as possible and hoped this would be within the next two months. Simon also wished to thank the Finance team for persevering with amendments and continuing to work with EY Audit.

There were no questions from Members.

RESOLVED:

The verbal update be noted.

AC 47/21 REVIEW OF RISK MANAGEMENT ARRANGEMENTS

Due to there only being 4 Members present at the meeting, it was agreed that this item be deferred to the July Committee meeting.

On being put to the Committee the Vice Chair as the Chair of the meeting declared the recommendation CARRIED the voting being unanimous.

RESOLVED:

That the item be deferred to the July Audit Committee meeting

AC 48/21 SIAS INTERNAL AUDIT PLANS 2022/2023

The Committee received a presentation on SIAS internal audit plans 2022/23.

There were no questions regarding this report.

Councillor Ruth Clark moved the recommendation that the Committee approve the proposed Three Rivers District council and Shared Services 2022/23 Internal Audit Plans, seconded by Councillor Tony Humphreys.

On being put to the Committee the recommendation was declared CARRIED by the Vice-Chair as the Chair of the meeting with the voting being unanimous.

RESOLVED:

Approved the proposed Three Rivers District Council and Shared Services 2022/23 Internal Audit Plans.

AC 49/21 SIAS 2021/22 PROGRESS REPORT

The Committee received a presentation on SIAS Progress Report 2022/23.

The Vice-Chair stated where there had been no updates on outstanding audit recommendations, the Committee wished to request a written update for those reports. If the implementation date had expired and there was no update that would not be acceptable. The Vice-Chair as the Chair would review this outside of the meeting if Members were in agreement. Members agreed to this.

The Vice Chair wanted to clarify that the Annual Assurance Statement would cover any audits that had been started before the end of this financial year but asked if they would be finished after the end of the financial year?

The Client Audit Manager responded that the audits would be completed by mid-April. The Annual Assurance Statement had a much later timeline and would be

brought to the July Committee. There were no concerns that the 19 audits wouldn't feature and form part of that opinion.

The Head of Finance confirmed that the timeline for the Statement of Accounts had been extended to 31 July 2022. This would be the deadline to have the Annual Government Statement available so that when the period of public inspection took place, members of the public could consider the Statement of Accounts alongside the Annual Government Statement.

A Member wished to ask if Three Rivers were the only Council that were delayed. The Client Audit Manager responded that it was not just Three Rivers and that SIAS were working with Officers to ensure a smooth delivery.

The Vice-Chair asked for the Committee to vote on the three parts of the recommendation:

- Note the Internal Audit Progress report for the period to 11 March 22
- Agree changes to the implementation dates for 3 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)

Councillor Shanti Maru proposed the recommendations, seconded by Councillor Ruth Clark.

On being put to the Committee the recommendations were declared CARRIED by the Vice-Chair as the Chair of the meeting with the voting being unanimous.

RESOLVED:

- Noted the Internal Audit Progress report for the period to 11 March 22
- Agreed changes to the implementation dates for 3 audit recommendations (Paragraph 2.5) for the reasons set out in Appendices 3 to 6
- Agreed removal of implemented audit recommendations (Appendices 3 to 6)

AC 50/21 FINANCIAL AND BUDGETARY RISKS

The Head of Finance stated there had been no changes to the risk profile on the register but some text had changed and this was shown in italics. The agreed pay award for 2021/22 (financial risk 08) was highlighted. The contingency budget that had been set aside this year had been sufficient to cover the 1.75% pay award. A further pay award of 2% had been built into the Medium Term Financial Plan.

A Member wished to ask about the pay award that had been agreed of 1.75%. In future years it was showing as 2%, assuming this figure had not been agreed they wondered if there was a risk that future pay settlements could be a higher.

The Head of Finance agreed this was correct, it would depend on inflation and other factors. The 2022/23 pay award negotiations were due to commence shortly.

The Vice Chair noted the Council set the medium term budgets at the last Council meeting in February and inflation had changed since this time. The level of risks

on the risk register were the same. They asked if it was envisaged that any of those would be changing if inflation became more of an issue.

The Head of Finance responded that inflation in contractual obligations were built into the budget but the Council did not routinely inflate budgets. There were key areas of risk such as fuel and energy prices which were currently being monitored. Risk controls and mitigations were in place which meant that the residual risk should stay stable. If inflation stayed high for an extended period of time that would need to be factored into the budget setting process. There would be time to plan as some rises in contracts would not all come into force in April but at varied periods later in the year. It was hopeful that was short term and the annual inflation rate would not stay high.

The Vice-Chair asked about bond prices which had decreased significantly and wanted to know if this affected any of the Council's treasury assumptions.

The Head of Finance responded that treasury investments were lower than expected in the current year. The budget had been reduced for 2022/23 and this would continue to be monitored.

The Committee were asked to review the financial and budgetary risks and make any comments.

On being put to the Committee the recommendation was declared CARRIED by the Vice-Chair as the Chair of the meeting with the voting being unanimous.

RESOLVED:

Reviewed the Financial and budgetary risks and made comments as detailed above.

AC 51/21 COMMITTEE WORK PROGRAMME

The Head of Finance asked that the date for the next Committee be flexible so that the accounts could be finalised. This was agreed by Members.

RESOLVED:

That the work programme be noted and that the date of the next meeting be flexible so that the accounts could be finalised.

CHAIR