
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