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THREE RIVERS DISTRICT COUNCIL

At a meeting of the Audit Committee held in the Penn Chamber, Three Rivers House, Rickmansworth, on Thursday, 27 July 2023 from 7.30 - 8.29 pm

Present:

Councillors
Tony Humphreys (Chair)
Councillor Ruth Clark (Vice Chair)
Andra Fraser
Ciaran Reed
Sara Bedford (In place of Raj Khiroya)

Officers in Attendance:

Hanah Doney TRDC, Darren Williams SIAS, Garry Turner, TRDC

AC6/23 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors Lisa Hudson, Jonathon Soloms, Rue Grewal, Raj Khiroya (with the substitute for Cllr Khiroya being Councillor Sara Bedford).

AC7/23 MINUTES

The Minutes for the Audit Committee meeting held on 28 March 2023 and the Special Audit Committee meeting held on 30 May 2023 and were signed by the Chair.

AC8/23 NOTICE OF OTHER BUSINESS

None received.

AC9/23 DECLARATIONS OF INTEREST

None received.

AC10/23 UPDATE FROM EY (EXTERNAL AUDITORS) ON AUDITS

The External Auditors advised that the 2019/20 audit was still ongoing and had not been completed due to NHS work in May and June. Progress had started again in July. There had been a number of complex findings and a lot of management time required to go through the adjustments. The nature of the adjustments had required additional samples and testing. The Assistant Manager was now assisting and hoped to conclude as soon as possible.

RESOLVED:

Noted the update.

AC11/23 ANNUAL FRAUD REPORT 2023

The Fraud Manager presented to the Committee the annual fraud report.

For matters which fell outside the Council boundaries collaboration work had been undertaken with other agencies.

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

A total of 82 cases were completed with savings identified through overpayments of circa £58,000. Of these cases 6 received a sanction. Details on the specific types of matches was provided in Paragraph 2.12.7 with 624 in total.

A Member asked a question regarding rates for debts and what our success rate was. The Fraud Manager advised that recovery was undertaken by the Revenue and Benefits Team but could provide details as a post meeting note in the minutes.

It was noted that members of the public can report anonymously any fraud through the online fraud hotline or on the website.

RESOLVED:

That the report be noted.

AC12/23 STATEMENT OF ACCOUNTS UPDATE

This report set out the latest position for external audit of the Statement of Accounts for 2019/20, 2020/21, 2021/22 and 2022/23. It also provided an update on the transition to the new external auditors, Azets, from 2023/24 onwards. It was proposed the new auditors would attend the September meeting.

The Head of Finance reported that the 2019/20 accounts required work on the fixed asset register to be completed. The 2020/21, 2021/22 and 2022/23 accounts audit would continue in the autumn and into 2024. A draft audit plan would be presented to the Committee in December or March, and it was hoped that it would be possible to conclude the audit of the 2023/24 accounts within the Statutory timeframe of 30 September 2024. However, this timetable was dependent on the completion of the prior year audits before July 2024.

In response to a Member question on why we had ended up in this position and what was the plan going forward to get the accounts completed in the statutory timeframe, the Head of Finance advised that for the 2022/23 accounts it was hoped these would be completed by March next year although the competition may slip beyond that. EY were confident they would be able to get the work completed. On the 2019/20 accounts the fixed asset register had not been as robust as it needed to be, and revised accounting treatment had been agreed in relation to the South Oxhey Initiative and this did require changes to be made around the classification of assets. This was identified by the auditors when reviewing the 2019/20 accounts following changes to the auditing standards.

A Member asked what the backup plan was if the accounts were not completed before EY leave. The Head of Finance advised that EY would work with the Council until all the accounts were concluded. The Department for Levelling Up, Housing and Communities (DLUC) had issued a letter with regard to a backstop date for the completion of the audits but had not specified what the back stop date is. The Council were looking to get the 2019/20 accounts completed by December and the 2020/21 accounts by March 2024.

RESOLVED:

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

AC13/23 TREASURY MANAGEMENT ANNUAL REPORT 2022/23

The 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.

The report met 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 year review (December Audit Committee)
- An annual review following the end of the year describing activity compared to the strategy.

The regulatory environment places responsibility on members for the review and scrutiny of treasury management policy and activities. The report provided details of the year end position for treasury activities and highlighted compliance with the Council's policies approved by Members.

This Council had complied with the requirement under the Code to give scrutiny to all treasury management reports by this Committee. Following scrutiny by the Committee, the report will be presented to Full Council in October.

The key actual prudential and treasury indicators detailing the impact of capital expenditure activities during the year were provided at Paragraph 1.2.1 and details on our investment returns and percentage rates were provided in Paragraph 2.12.4.

RESOLVED:

Noted the Treasury Management Annual Report.

AC14/23 SIAS ANNUAL REPORT 2022-23

The Committee received the SIAS Annual report.

SIAS are the Council's internal auditors and provided an internal audit service for 8 authorities in Hertfordshire. Herts County Council (HCC) are the host partner and all staff are HCC employees. The Head of Finance at TRDC has a seat on the Partnership Board.

3,000 audit days were covered each year by SIAS with 17 staff employed with the use of BDO as an external audit support.

A Member asked about the number of audit days delivered but noted that the draft reports produced had not reached the target. SIAS advised that there had been vacancies in the team and it had been difficult to replace staff due to insufficient professional auditors. Days delivered was 94% of the 95% target by 31 March 2023. The remaining days were delivered by our external partner which did not cost any further funding and did not deplete resources.

With regard to draft reports 90% were completed across the partnership by the end of the year but by Period 1 95% of the draft reports had been completed in time for when the Annual Assurance statement was presented to the Committee in May. The Performance Indicator was proposed to be amended for 2023/24 with details provided in the next report.

RESOLVED:

Noted SIAS annual report.

AC15/23 TRDC SIAS PROGRESS REPORT AGAINST THE 2023/24 AUDIT PLAN

SIAS advised that this was regular progress report presented to the Committee on progress against the 2023/24 audit plan. There was one limited opinion with regard to property services which focussed on garages and the transfer of data onto a new database. Details on the recommendations and current status of the audits were provided in the appendices to the report.

Section 2.4 of the report summarised the outstanding recommendations and revised implementation dates which had been provided by officers.

Appendices 3 to 6 provided details on the current status of the outstanding recommendations.

16% of the planned audit days had been completed.

It was advised that for future years indicator 2 (planned projects) the target would change to 90% although SIAS would be ensuring that 100% of audits would be at the draft report stage by the time the Annual Assurance statement is presented to the Audit Committee at the end of May.

RESOLVED:

Note the Internal Audit Progress Report for the period to 14 July 2023

Approved amendments to the Audit Plan as at 14 July 2023

Agreed changes to the implementation dates for seven 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)

AC16/23 FINANCIAL AND BUDGETARY RISK REPORT

This report advised 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.

The Head of Finance advised that while inflation remained high it would influence pay awards which would be above the level in the budget. The Council were currently preparing the first quarterly financial monitoring report and reviewing the assumptions in the Medium-Term Financial Plan. The Council had reasonable reserves in place.

Members raised the following points:

On risk FIN09 they referred to some delays with a project which had resulted in increased costs due to high inflation. The Head of Finance advised that officers were mindful of this and would be ensuring project costs were clearly set out as part of the budget setting process to ensure more robust assumptions and not underestimating the costs. Officers will also be reviewing the wording around budgetary control.

On reputation risks to the Council how far in advance should the funding be requested and whether the request should be made once the project was further forward. The Head of Finance advised that there needed to be Member commitment to the funding before work could progress too far, but officers would take a look at this part of the processes.

On risk FIN08 the pay award could potentially be higher than what is included in the Medium-Term Financial Plan

On risk FIN18 the Business Rates and seen significant revaluations for 2023 which introduced additional risk of appeals which could result in a reduction to income. The Head of Finance advised that additional risks had been included following the recent revaluations undertaken by the VOA. TRDC had seen the highest increase in rateable values across the County and could face an appeal although the recent revaluations should be cost neutral. Advice was being sought from LG Futures.

RESOLVED:

Reviewed and noted the risk register and the individual risks included.

AC17/23 WORK PROGRAMME

The Committee received their work programme.

It was requested that the two sets of training be delivered separately, and the Head of Finance agreed to organise a virtual training session for the “role of the audit committee” ahead of the September meeting.

RESOLVED:

Noted the work programme.

Agreed to organise a separate virtual training session on the role of the audit committee.

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