

THREE RIVERS DISTRICT COUNCIL

At a meeting of the **Audit Committee** held in the Penn Chamber, Three Rivers House, Rickmansworth, on Tuesday 26 November 2015 from 7.30pm to 8.10pm.

Present: Councillor Sarah Nelmes (Chairman), Steve Drury (Vice Chairman), Diana Barber (as substitute for Terry Dos Ramos), Alex Hayward, Joy Mann, Debbie Morris (as substitute for Angela Roberts) and Len Tippen.

Officers in attendance:

Joanne Wagstaffe	Director of Finance
Richard Lawson	Grant Thornton UK LLP
Chris Wood	Shared Internal Audit Service (SIAS)
Andrew Brittain	Ernst and Young
Hannah Ormston	Ernst and Young
Helen Wailling	Committee Manager
Mike Simpson	Committee & Web Officer

Councillors in attendance: Councillor Matthew Bedford.

Apologies for absence were received from Councillors Terry Dos Ramos and Angela Roberts.

AC26/15 MINUTES

The Minutes of the meeting of the Audit Committee held on 29 September 2015 were confirmed as a correct record and signed by the Chairman.

AC27/15 NOTICE OF OTHER BUSINESS

None received.

AC28/15 DECLARATIONS OF INTEREST

None received.

AC 29/15 FINANCIAL AND BUDGETARY RISKS

The Director of Finance introduced the report as being a standard item that is presented at every meeting of the Audit Committee. No changes had been made to the report, and although the Chancellor of the Exchequer had revealed his autumn budget earlier in the week no amendments had yet been made to the risks. It was possible that the situation might change over the Christmas period, after the update of the Medium Term Plan.

The Chairman suggested that a risk could be added regarding a decrease in staff numbers.

RESOLVED:-

That the Committee considers the financial and budgetary risks facing the Council, notes the latest position and comments on the officers assessment of the likelihood of a risk occurring and the impact should it do so.

AC 30/15 ANNUAL GOVERNANCE STATEMENT (AGS) – ACTION PLAN UPDATE

It was stated by the Director of Finance that all outstanding issues on the Action Plan were IT related. Those relating to key performance indicators (KPIs) might later be removed due to the contract with Capita having been terminated. The Disaster Recovery Plan would remain live.

The Chairman asked whether it would be possible for the Audit Committee to receive an IT update at every meeting. The Director of Finance replied that it was possible, and that officers had recently received an update of the situation relating to IT provision. A Member asked how the IT arrangements were progressing with regard to a new provider, and the Director of Finance replied that a report outlining details of the plans for IT provision was going to Policy and Resources Committee on the 7 December 2015.

A Member expressed concern about the prospect of the Council being without IT support when the arrangement with Capita expired in June 2016, and was reassured by the Director of Finance that if necessary there would be a contingency plan. In response to a question about who represented the Council's interests in IT-related matters in the absence of Emma Tiernan, the Council's ICT Business Manager, it was stated that Kevin McLeod had stepped into the role and was challenging Capita ahead of the transition.

RESOLVED:-

That the Committee notes the progress made against the action plan.

AC 31/15 EXTERNAL AUDITOR'S ANNUAL AUDIT LETTER

The External Auditor presented the report and summarised that it featured unqualified opinions in respect of both the Financial Statements and Value for Money, and there was nothing yet to report in relation to the Certification of Housing Benefits grants claim.

RESOLVED:-

That Members note the contents of the Annual Audit Letter.

AC 32/15 INTERNAL AUDIT PROGRESS REPORT 2015/16

The Audit Manager presented the report from SIAS.

With reference to paragraph 2.2, it was noted that a further 2015/16 audit had been finalised since the September meeting of the Committee – Business Continuity and Emergency Planning, which had received full assurance, with no recommendations.

With reference to item 2.6, the Committee was asked to note the proposed amendments to the Audit Plan. The contingency balance held in the Watford / Three Rivers Shared Plan was allocated to audits in the respective Watford and Three Rivers Audit Plans. Those amendments relevant to Three Rivers were disclosed for approval.

The Committee was advised that, with regard to item 2.8, the data included in the Performance Indicator matrix was a little out of date as the report was published

two weeks prior to the Committee date. The actual planned projects had risen from 35% to 43% as a result of the issue of two further draft audit reports to management.

The Chairman asked whether the Audit Manager was confident that the Plan for the next year could be achieved fully. The Audit Manager replied that, at this moment and based on performance to date, he was confident of completing the audit plan by year end.

A Member expressed concern over the number of outstanding recommendations in 2014/15 (item 2.4), and it was stated in response that officers were generally good at implementing agreed management actions from previous years. Some implementation dates for audit recommendations had long horizons and the original, or agreed revised, implementation date may not have actually been reached. It was noted that Management and the Audit Committee have an important role to play in monitoring the implementation dates and reasons for any revisions.

In response to a Member question, the Audit Manager added that recommendations were precisely that, and not obligations. All recommendations included in final audit reports and presented to the Audit Committee had been agreed by management and, to date, there had been no material disagreements with Three Rivers Council concerning recommendations made. The Chairman stated that she could not recall Three Rivers District Council ever refusing to take action when recommended to do so.

A Member asked what was planned with reference to the Audit Committee workshop (Appendix 2). The Internal Auditor replied that North Herts had already hosted a workshop for Members from across Hertfordshire, and Councillors from Three Rivers District Council who had attended the training in North Herts in September had enjoyed it. SIAS had contributed to this workshop and it was understood that North Herts were due host a second workshop early in the New Year. It was recommended that collaboration between the Councils should continue.

Finally, the Chairman thanked officers for providing updates to all recommendations disclosed in the appendices, and that this effort had improved the clarity of the SIAS report.

RESOLVED:-

That progress in completion of the audit plans is noted.

That amendments to the Audit Plan be approved.

That progress in implementing the internal audit recommendations is noted.

AC 33/15 TREASURY MANAGEMENT – 2015/16 MID YEAR REVIEW

The Director of Finance presented the report, which gave details of the 2015/16 Mid-Year Review of the Treasury Management Function, and said that it reflected good news in that the Council was on track in terms of its investments. The interest rate target was marginally higher but did not relate to a significant amount.

The Council had still not undertaken any borrowing.

The Chairman asked if the Treasury Management Strategy would be reviewed due to the different types of activities being undertaken by the Council. The Director Finance said that they would consider changes as activities were taken on.

The Director of Finance said that in regard to property, there was a debate as to whether there should be a separate property investment strategy or whether it should be appended to the Treasury Management Strategy. The Chairman noted that it should also be included in the Risk Strategy.

It was further explained that at present the Council invests only in cash, but as part of a strategic review, future investment in bonds and gilts would be considered. Capita Asset Services, the Council's treasury advisors, were looking at looking at alternative investment opportunities.

A Member asked whether the Audit Committee would have input on the Council's investments, and was informed that referral would be made to all Members and relevant Officers, with final decisions being the responsibility of the Management Board.

The Vice-Chairman noted that the County Council had made a move towards investment in ethical causes.

RESOLVED:-

That members note the contents of the 2015/16 Mid-Year Review of the Treasury Management function.

AC 34/15 COMMITTEE'S WORK PROGRAMME

The report was presented to the Committee by the Director of Finance, and the Chairman invited suggestions from Members for changes and amendments thereto.

A Member said that issues appeared to be well covered by the report, and another requested that the Committee receive regular updates on the IT situation.

RESOLVED:-

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

CHAIRMAN