

## **THREE RIVERS DISTRICT COUNCIL**

At a meeting of the **Audit Committee** held in the Penn Chamber, Three Rivers House, Rickmansworth, on Tuesday 22 March 2016 from 7.30pm to 9.01pm.

Present: Councillor Sarah Nelmes (Chairman), Diana Barber (as substitute for Angela Roberts), Alex Hayward, Joy Mann, Andrew Scarth (as substitute for Steve Drury).

Officers in attendance:

|                 |                                      |
|-----------------|--------------------------------------|
| Bob Watson      | Head of Finance                      |
| Richard Lawson  | Grant Thornton UK LLP                |
| Chris Wood      | Shared Internal Audit Service (SIAS) |
| Andrew Brittain | EY                                   |
| Mike Simpson    | Committee & Web Officer              |

Apologies for absence were received from Councillors Steve Drury, Angela Roberts and Marie-Louise Nolan.

### **AC35/15 MINUTES**

The Minutes of the meeting of the Audit Committee held on 26 November 2015 were confirmed as a correct record and signed by the Chairman.

### **AC36/15 NOTICE OF OTHER BUSINESS**

None received.

### **AC37/15 DECLARATIONS OF INTEREST**

None received.

### **AC38/15 EXTERNAL AUDITOR'S CERTIFICATION WORK REPORT**

The external auditor (Grant Thornton UK LLP) presented the report and explained that the difference in the planned fee for 2014/15 against the actual fee was due to IT related issues, specifically with regard to Housing Benefit. It was added that the Director of Finance had successfully negotiated down the fee for Certification work.

The Chairman asked whether, in the opinion of the Committee, the Auditors' fees and additional costs should be claimed back from Capita, and it was agreed they should be.

Action point:

To claim additional costs caused by systems downtime from Capita.

**RESOLVED:-**

That the Committee noted the contents of the Certification Work letter.

## **AC 39/15 FINANCIAL AND BUDGETARY RISKS**

The Head of Finance introduced the report and said it reflected no change to the budget or efficiency gains previously agreed.

The Chairman asked whether interim risks due to the IT situation be reflected in the report, and the Head of Finance said that although a process was in place for replacing Capita as the IT provider, he would look into the matter further with regard to its listing as a risk to the Council.

Watford Borough Council was the lead authority in IT matters, but the Director of Finance would brief Members regarding a settlement figure.

A Member stated that IT should be included on the risk register in future.

**RESOLVED:-**

That the Committee noted the financial and budgetary risks facing the Council, particularly a strategic risk with IT generally, and commented on the officers' assessment of the likelihood of a risk occurring and the impact should it do so.

## **AC 40/15 ANNUAL GOVERNANCE STATEMENT (AGS) – ACTION PLAN UPDATE**

The Head of Finance presented the Action Plan update, and said it primarily related to disengaging with Capita.

**RESOLVED:-**

That the Committee noted the progress made against the Action Plan.

## **AC 41/15 CHANGES TO ACCOUNTING POLICIES**

The Head of Finance introduced the report and said there were no major changes. Minor changes were shown in *italics*.

The change in policy would enable the Audit Committee to have early sight of the accounts in future, and the Head of Finance highlighted the use of a straight-line calculation to determine the depreciation in value of property, plant and equipment assets.

The Chairman said that this was a good year to have a tidy-up of accounting practices.

**RESOLVED:-**

That the Committee noted changes to 2015/16 accounting policies when compiling the annual statement of accounts.

The External Auditor (EY) said that its work was now overseen by the National Audit Office, and the report focused on an Overall Criterion and was broken down into three parts:

- Value for Money
- Audit Plan 2015/16
- Local Government Audit Committee Briefing

It was explained that the aim of the external auditor was to identify significant risks to the Council and investigate means of reducing such a risk.

A Member asked for clarification of the term Value for Money in this context of the external audit, and it was explained that Value for Money is provided if the external auditor's recommendations are applied.

It was stated that there were no current Value for Money significant risks.

The Audit Plan 2015/16 would identify significant risks where any existed, and it was stated that a possible risk was 'management override' although there was no suggestion such a risk existed, or was likely to.

The external auditor explained that it was often required to use the services of other specialist companies to perform certain functions, e.g. property evaluations and pensions.

The Committee's attention was drawn to the matter of Auditors' fees, and it was stated that there was a 25% reduction on the previous year's fees.

The Local Government audit committee briefing was presented, and the Committee's attention was drawn to the 'Faster Close update' which required consideration and action by the Head of Finance and Director of Finance, as well as the Committee Section for the scheduling of Audit Committee meetings in 2017/18.

A Member asked how the mechanics work of budgetary over-spending by Committees worked i.e. where the money was found. The Head of Finance replied that general purpose reserves existed which were used for any necessary and approved additional spending, and a year-end report showed expenditure versus predicted expenditure and similarly savings versus predicted savings.

The Chairman said that financial details are published each month in the Members' Information Bulletin on the Council's website.

A Member asked whether a mechanism was in place to prevent over-spending, and the Chairman replied that it was the job of the Committee Members to do so, and that it was necessary to act at the time rather than take no action.

**RESOLVED:-**

- 1) That Members noted the contents of the external auditor's three reports.
- 2) That Members noted that the 2017/18 calendar of Committee Meetings incorporate the requirements of the 'Faster Close' delivery.

**AC 43/15 INTERNAL AUDIT PLANS 2016/17**

The Internal Auditor presented the report of Internal Audit Plans 2016/17 and asked whether there were any questions.

There were no questions, and it was agreed that the table shown in item 2.7 was very useful and informative.

RESOLVED:-

That Members approve the proposed Three Rivers District Council and Shared Services Internal Audit Plans for 2016/17.

**AC 44/15 INTERNAL AUDIT PROGRESS REPORT 2015/16**

The Audit Manager presented the Internal Audit progress report by SIAS.

The Chairman asked the Committee to look at previous years' recommendations and questioned the need for so many multiple extensions. It was suggested that members of the Audit Committee check that officers are progressing the recommendations of both the Internal and External Auditors.

With regard to the 19 outstanding IT audit recommendations (item 2.5.2) the Head of Finance said there was a probability that several of the issues raised therein have now been made obsolete by new technology; these could be consolidated or removed if they had been superseded by events and requirements. He suggested that he review them (in consultation with the internal auditor) and bring a revised list to the next meeting of the Audit Committee in June 2016 for Members to review and if necessary agree that they can be removed from the list of outstanding recommendations.

The internal auditor recommended that caution is exercised when striking some of the high priority issues, especially where the issues are also contained in the Annual Governance Statement as in a previous agenda item. The Head of Finance stated that he would provide a report to explain his rationale and provide an audit trail.

Action Point: Head of Finance to bring a revised list of the outstanding IT audit recommendations to the next meeting.

**Health & Safety 2013/14 – Ref 08**

The Chairman expressed concern that an action with an original deadline of December 2014 had not been progressed, and that a further extension of six months was sought. It was suggested that the Interim Head of Property Services attend the next meeting of the Audit Committee to explain the situation.

Action Point:-

That the Interim Head of Property Services or her senior manager provide a report to the Audit Committee to explain why the Health & Safety issue as described was not yet resolved.

**Asset Management 2014/15 – Ref 01**

The Chairman again expressed concern that this issue was not resolved, and that an extension of a further six months to the deadline was requested.

A suggestion was made that the Interim Head of Property Services was invited to attend the next meeting of the Audit Committee to explain the situation.

Action Point:-

That the Interim Head of Property Services or her senior manager provide a report to the Audit Committee to explain why the Asset Management issue as described was not yet resolved.

#### **Enforcement 2014/15 – Ref 01**

The Chairman suggested that the deadline be extended, as requested, until 31 March 2016 on the understanding that no further deadline extension be applied.

Action Point;-

That the deadline be extended until 31 March 2016.

#### **Diesel Usage 2015/16 – Ref 01**

The Chairman expressed misgivings about extending the resolution deadline by a further 12 months to 31 March 2017 (from an original deadline of 31 October 2015).

Members discussed the merits or otherwise of deferring the resolution date with reference to the roll-out of the green waste collection project, and it was suggested that the Chief Environmental Services Manager was invited to update the Committee at the next meeting in June.

It was added that the audit of diesel usage followed closely on misappropriation of fuel at another local authority.

Action Point:-

That the Chief Environmental Services Manager be invited to provide a report to the Audit Committee regarding the delayed provision of a fuel management system.

There were no other questions that related to the Internal Auditor's Progress report, and the Internal Auditor indicated that the report for the year was due to be concluded within targets by the year end.

**RESOLVED:-**

- 1) That progress in completion of the audit plans is noted.
- 2) That amendments to the Audit Plan be approved.
- 3) That progress in implementing the Internal Auditor's recommendations is noted.

#### **AC 45/15 COMMITTEE'S WORK PROGRAMME**

The report was presented to the Committee by the Head of Finance, and it was noted that the reports for 28 June 2016 Audit Committee would be:

- Health & Safety - Interim Head of Property Services
- Asset Management - Interim Head of Property Services
- Diesel Usage – Chief Environmental Services Manager

**RESOLVED:-**

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

**CHAIRMAN**