

THREE RIVERS DISTRICT COUNCIL

At a meeting of the **Audit Committee** held in the Penn Chamber, Three Rivers House, Rickmansworth, on Tuesday 27 September from 7.30pm to 8.23pm.

Present: Councillor Sarah Nelmes (Chairman), Steve Drury (Vice Chairman), Eric Bishop, David Coltman, Joy Mann.

Also in attendance:

Chris Wood	Shared Internal Audit Service (SIAS)
Hannah Ormston	EY
Joanne Wagstaffe	Director of Finance
Bob Watson	Head of Finance
Mike Simpson	Committee & Web Officer

Apologies for absence were received from Councillors Joan King and Angela Killick.

AC 23/16 MINUTES

The Minutes of the meeting of the Audit Committee held on 28 June 2016 and the Extraordinary meeting on 26 July 2016 were confirmed as correct records and signed by the Chairman.

AC 24/16 NOTICE OF OTHER BUSINESS

The Chairman declared that the following item of business had not been available for 5 days before the meeting.

An updated appendix for agenda item 7 **EXTERNAL AUDITOR'S REPORT TO THOSE CHARGED WITH GOVERNANCE – ISA260 – (SEPTEMBER 2016) AND APPROVAL OF THE STATEMENT OF ACCOUNTS 2015/16**

The reason for urgency being the requirement to agree the statement of accounts.

AC 25/16 DECLARATIONS OF INTEREST

The Vice-Chairman, Cllr Steve Drury, declared a non-pecuniary interest as he had a cousin who worked for the external auditor, EY. The Chairman stated that it was not an issue of concern as, in view of the company's size, it was likely most people knew someone employed by EY.

AC 26/16 FINANCIAL AND BUDGETARY RISKS

The Head of Finance introduced the report which enabled the committee to monitor the Council's financial and budgetary risks.

RESOLVED:-

That the report be noted.

AC 27/16 ANNUAL GOVERNANCE STATEMENT (AGS) – ACTION PLAN UPDATE

The Head of Finance presented the Action Plan update. Of the four items contained therein, two were superseded as the result of the installation of a new ICT provider, and the other two were being dealt with

RESOLVED:-

That the Annual Governance Statement Action Plan update be noted.

AC 28/16 EXTERNAL AUDITOR'S REPORT TO THOSE CHARGED WITH GOVERNANCE – ISA260 – (SEPTEMBER 2016) AND APPROVAL OF THE STATEMENT OF ACCOUNTS 2015/16

The external auditor presented the report produced by EY and stated that an unqualified opinion would be given on the accounts as the audit had produced nothing of significant concern and that the Council's procedures were generally good.

The audit by EY produced three unadjusted differences, which were not considered to be material to its audit opinion. Significant audit risks were identified as risk of management override, a standard risk required by auditing standards and implied no wrongdoing within the Council, and the valuation of property due to the adoption of IFRS 13 into the Code.

Housing benefit overpayments were also identified as an issue deemed worthy of bringing to the raising to management, and other observations and improvement recommendations were identified elsewhere in the report.

EY did not identify any significant risks in relation to the VFM criteria and had concluded that the Council has put in place proper arrangements to secure value for money in its use of resources.

The external auditor said that Andrew Brittain of EY would sign off the Council's statement of accounts 2015-16 at Watford Borough Council's meeting of its audit committee.

Questions were invited regarding the statement of accounts, and none was forthcoming. The statement of accounts 2015/16 was approved by the Committee.

RESOLVED:-

- That the contents of the report by the external auditor be noted.
- That the Letter of representations be signed by the Chairman of the Committee and the Director of Finance
- That the statement of accounts 2015/16 be signed by the Head of Finance and the Chairman of the Committee.

AC 29/16 INTERNAL AUDIT – SIAS BOARD ANNUAL REPORT 2015/16

The Internal Audit manager presented this report and asked members of the Committee whether they had any questions.

The Vice-Chairman said it was a comprehensive report.

RESOLVED:-

That the contents of the Shared Internal Audit Services annual report for 2015/16 be noted.

AC 30/16 INTERNAL AUDIT PROGRESS REPORT 2016/17

This Internal Audit manager provided details of the progress made in implementing the recommendations of the internal auditor.

It was brought to the Committee's attention that two further final audit reports had been issued in addition to that in the table. This was the Corporate Credit Cards audit, which had a substantial assurance level and one medium and one merits attention priority recommendation. The other was the completion of the DFG Capital Grant Certification.

The Internal Auditor noted the improved position on the implementation of recommendations in the table and also expressed the opinion that the extraordinary meeting of the Audit Committee in July 2016 had been very successful at improving the process of recommendations follow-up, the rationalisation of the Recommendations Log in the appendices and the management responses received.

Extensions were agreed to the implementation dates for the audits listed.

The Internal Auditor ran through the proposed audit plan amendments, most notably the two additional days for the extraordinary meeting of the Audit Committee on 26 July and the additional follow-up process this entailed.

Updated the performance information in the table – Planned Days had moved on from 27% to 29%, and Planned Projects from 17% to 20%. In updating the Planned Projects %, the Internal Auditor indicated that they were one project behind the profile for the year per the calendar at Appendix 2. This was the Officers' Expenses audit that was due to start in May 2016 and had been delayed by more than three months as a result of difficulties receiving key audit information from a Council contractor. This had also created resourcing problems for SIAS, but they had managed to prioritise the work for Three Rivers.

The Vice-Chairman noted that the Officers Expenses audit was in the shared plan with Watford. This led to a discussion on the difference between the Three Rivers Audit Plan and the Shared Services Audit Plan, how they link together and are reported. The Internal Auditor pointed out that when viewed individually performance on the Three Rivers Plan was much further ahead than the Shared Plan as it consisted of operational audits scheduled for earlier in the year, while the Shared Plan consisted of IT and Key Financial Systems audits scheduled for the second half of the year. When taken together for reporting to Committee, this pulls the overall reported performance figures down as a result of the timing mismatch in the delivery of the two plans.

The Chairman observed that the vast majority of outstanding recommendations from the Internal Audit Recommendations Log 2009/10 onwards were largely IT related, and should now be in hand now that a new provider was in place since 01 July 2016.

A Member expressed the opinion that a deadline of 31 October was too soon for many of the issues to be resolved. The Chairman replied that the Audit Committee had proposed the deadline, and it was considered to be realistic and achievable.

A Member asked whether IT issues would be resolved 'overnight'. The Director of Finance said they would not, but most would be addressed by the end of October 2016 and an extended deadline would not be granted. In reply to a concern about previous problems being repeated, the Director of Finance said that two disaster recovery plans were in place and, encouragingly, during a power down at Watford last week all systems had been successfully restarted.

The Chairman said that the target dates would be left as they were. A Member said he was concerned that doing so would build unrealistic expectations as some issues would not be resolved. The Director of finance said that most would be.

The Chairman noted that the Health & Safety items listed on the Outstanding Recommendations list were all resolved, and thanked the Interim Head of Property Services for her efforts.

The Chairman also noted that the outstanding recommendations listed under Tree Surveying 2014/15 had been completed,

With regard to Asset Management, it was noted that the revised action deadline of 30 September was still a few days away, and the comments listed were considerably more substantive than 'not yet due'. Similarly, actions taken under 'Enforcement 2014/15' showed substantive reasons.

Revenue & Benefits – the Director of Finance stated that progress had fallen behind a little and the Council was currently waiting on Northgate for IT installation and training. The Committee agreed to extend the resolution deadline date to 31 December 2016.

Diesel Usage – the review of diesel usage was now complete.

The Chairman asked whether it would be possible to see evidence of the manual checks over fuel usage at the next meeting of the Audit Committee.

Contract Management 2015/16 – Training sessions were scheduled for the purpose of providing guidance of contract risk to relevant individuals, and it was expected that all would be concluded by the requested extended deadline date of 30 November.

The Vice-Chairman asked whether the risk register was different for each contract. The Director of Finance replied that each contract was different, and contained different levels of risk. The Chairman asked whether the general principle was similar, and the Director of Finance replied that the idea was to extract the main risks from each contract and mitigate accordingly.

The Committee agreed to extend the resolution deadline until 30 November 2016.

RESOLVED:-

- i. That the contents of the Internal Audit Progress report be noted
- ii. That amendments to the Audit Plan be approved
- iii. That removal of implemented audit recommendations be agreed, and
- iv. That changes to implementation dates for two audit recommendations be approved.

AC 31/16 COMMITTEE'S WORK PROGRAMME

The report was presented to the Committee by the Head of Finance. The Chairman asked that the report on diesel usage be added to the Work Programme, and

suggested the Committee should request the viewing of an alternative investment strategy.

The Chairman also suggested that in addition to looking at the Treasury Management Mid-Year report 2016/17 the Committee saw a draft proposed Treasure Management Strategy for 2017/18, to include any alternative investment types being considered, e.g. property investments.

The property investment strategy was agreed for 2017/18

RESOLVED:-

That the additional items be added to the Work Programme as noted above.

AC 32/16 OTHER BUSINESS

There was no other business.

CHAIRMAN