

## THREE RIVERS DISTRICT COUNCIL

At a meeting of the **Audit Committee** held in the Penn Chamber, Three Rivers House, Rickmansworth, on Tuesday 28 March 2017 from 7.30pm to 9.10pm.

Present: Councillor Sarah Nelmes (Chairman), Eric Bishop, Martin Brooks (substitute for Alex Michaels), Angela Killick, Joan King and Joy Mann.

Also in attendance:

Chris Wood	Shared Internal Audit Service (SIAS)
Hannah Ormston	EY
Emma Tiernan	ICT Client Section Head
Bob Watson	Head of Finance
Mike Simpson	Committee & Web Officer

Apologies for absence were received from Councillor Alex Michaels (Cllr Martin Brooks substituted) and Andrew Brittain (EY).

### **AC 46/16 MINUTES**

The Minutes of the meeting of the Audit Committee held on 22 November 2016 were confirmed as correct records and were signed by the Chairman.

### **AC 47/16 NOTICE OF OTHER BUSINESS**

There was no other business.

### **AC 48/16 DECLARATIONS OF INTEREST**

There were no declarations of interest.

### **AC 49/16 FINANCIAL AND BUDGETARY RISKS**

The Head of Finance introduced the standard report which enabled the Committee to monitor the Council's financial and budgetary risks. He said there were no changes to the level of risk, and invited questions from Members of the Committee.

There were no questions.

RESOLVED:-

That the report on Financial and Budgetary risks be noted.

### **AC 50/16 ANNUAL GOVERNANCE STATEMENT (AGS) – ACTION PLAN UPDATE**

The Head of Finance presented the AGS Action Plan update and drew the Committee's attention to the two outstanding ICT-related actions that were to be reviewed by the Internal Audit Service:

- The Disaster Recovery Plan
- Disaster Recovery testing strategy

The ICT Client Section Head said that a Recovery Plan was in place and a kit list was up to date, but was currently very costly. Amicus provides various other

services which involve other companies, and the Council has plenty of options available to it in terms of moving forward with IT support.

The ICT Client Section Head said Disaster Recovery testing would take place when everything was in place, although the contract relating to IT Disaster Recovery will end in June 2017.

A Member asked whether Disaster Recovery related just to IT matters and was informed it did, and that non-IT Disaster Recovery and business continuity issues were the responsibility of each respective business area.

A Member asked whether enough specialists in IT Disaster Recovery existed, to which the ICT Client Section Head replied that a framework agreement was provided by a number of companies with a proven track record, and other companies may bid to provide IT services as required, including local ones.

A Member asked what would happen if the Disaster Recovery deadline of June was missed, and the ICT Client Section Head said a short term contract extension was an option, as was backing data up on a Cloud. The Member expressed the view that Clouds can be and often were hacked and may not be suitable.

The Chairman informed the Committee that the ICT Client Section Head would provide regular updates on IT progress, and certainly before the deadline date of December 2017. She added that 'Not Yet Due' on the Action Plan was not an option.

RESOLVED:-

That the progress made against the Annual Governance Statement Action Plan be noted.

#### **AC 51/16 INTERNAL AUDIT PLANS 2017/18**

The Internal Audit Manager provided an overview of the process for production of the 2017/18 Three Rivers District Council and Shared Services Audit Plans, including the identification of common themes or audits for all the partners in the Shared Internal Audit Service. The Committee were also asked to note the performance indicators for 2017/18 as approved by the SIAS Board. The Committee was then invited to submit any questions, provide comments or amendments and approve the Audit Plans.

A Member requested that the Council's maintenance programme be considered as a scope area for the Asset Management audit scheduled for quarter 4.

At the point of reviewing the Reserve List, a Member commented that a very high number of requests for extensions to deadlines for audit recommendations were due to staffing issues. It was suggested an internal audit should perhaps be undertaken on the Council's staffing levels, sickness absence, work related stress and vacancies. He said that too many senior managers worked less than a full week or were part time, and that cuts made were pushing staff to the limit, thereby putting increased workload on other staff, and questioned whether the Council was staffed correctly and sufficiently. It was indicated that the audit could also include an evaluation as to whether or not the Council has more or less than the accepted bench mark of staff turnover in any given year.

The Head of Finance replied that as HR was a shared service, any action would have to be agreed by Watford Borough Council. He added that flexible working was intended to retain personnel, but the matter can be investigated further if the Member wished.

The Chairman asked whether the staff retention rate was known, and the Head of Finance said HR would be able to provide information relating to all Hertfordshire Local Authorities. A Member suggested a comparison be made with Authorities nearer to London, and the Chairman said an agreement was in place in which Herts authorities are used for comparison of services purposes.

When asked, the Internal Audit Manager indicated that a review could be undertaken on the subject if the Committee agreed and an appropriate scope was developed. Benchmarking possibilities within the SIAS partnership could be explored, although this required the co-operation of multiple authorities.

The Chairman asked that the concerns over staffing levels be addressed ahead of the next meeting of the Audit Committee

A Member said that the Council seems to amalgamate positions and departments instead of replacing officers, and the Chairman said that doing so was part of the efficiencies programme.

A Member was surprised by the number of part-time employees, and wished to go ahead with an audit of human resources rather than undertake a review as that would prove inconclusive.

#### RESOLVED:-

That the internal auditor's Audit Plans for 2017/18 be noted, along with the requirement for a report on staff turnover to be presented at the next meeting of the Audit Committee.

#### **AC 52/16 INTERNAL AUDIT PROGRESS REPORT – 2016/17**

The Internal Audit Manager introduced the report and provided an update on performance information, given that nearly three weeks had elapsed since the report was first published. It was indicated that four further final audit reports had been issued (Benefits, Budget Monitoring, Contract Management and Debtors), and that 93% of planned days and 70% of planned projects had been delivered.

Proposed audit plan amendments were also provided to the Committee as required by protocol.

He said that a full house of recommendations had been implemented for 2009/10 and 2012/13, and that recommendations for 2010/11, 2011/12 and 2013/14 had been substantially implemented. The Committee agreed that recommendations for 2009/10 and 2012/13 could be removed from the follow-up schedules and summary table, although it was noted that the chronology would be interrupted.

The Internal Audit Manager stated that there were 16 requests for deadline extensions. He mentioned the positive outcomes in the delivery of the Audit Plans, and said that in spite of his earlier caution at the November 2016 Audit Committee where he provided an explanation of challenges facing the service, there was a possibility that the Council would hit its performance indicator targets, and had generally done pretty well. He then invited questions from Members.

The Head of Finance said that Three Rivers had achieved better performance rates than other local authorities in Hertfordshire.

In reviewing the outstanding recommendations, a question was raised about IT Remote Working that dated back to 2010/11, and the IT Client Section Head agreed it was of concern and that she was on the case.

In response to a question about IT Project Management 2011/12, she said it was a work in progress and should be ready by the end of May 2017.

The report on Tree Surveying 2014/15 was discussed at length, and the Chairman questioned the deadline of the end of March 2018 and suggested it was imposed by stealth. She believed that a look-back over the item would reveal a continual stretching of the deadline.

A Member flagged up the comment in the report that 'the raw data is not easily translated' and questioned why a software system was procured that could not interpret the data. He suggested that the deadline extension was not granted, and instead a report be provided by the relevant service at the next meeting of the Audit Committee, and all Members of the Committee were in agreement.

With reference to the NDR (Non-Domestic Rates) recommendations, it was stated that staffing was up to speed, and an outcome was expected shortly. The Committee agreed to the request to extend the deadline to 30 July 2017.

In the matter of Asset Management, the question was asked whether the Council now had a Head of Property Services as was noted in the report. The Head of Finance said that the role was considered a major project, and the Head of Major Projects would undertake the responsibility now that primary responsibility for the South Oxhey project had been progressed.

The IT Client Section Head responded to a Member's question about mapping and said it's a geographical information system within Uniform and was the primary reason for the delay in implementation.

The Committee agreed that no extension to the deadline be granted without a report or recommendation, which the Head of Finance would organise.

With regard to Licensing, the IT Client Section Head confirmed that a module had been purchased, and will look further into how it will affect the outcome. The Chairman said she was wary of excuses in relation to IT procurement and the delays in implementation, and a Member questioned the process of IT equipment procurement.

The IT Client Section Head said that IT problems that arose during the time Capita was the service provider were genuine, and that the department was now emerging from the confusion. She emphasised that all services must tie in together, which was a lengthy process.

Procurement guidelines were in place that precluded officers buying equipment on an ad hoc basis, as had happened previously, largely due to frustration with Capita.

With reference to the request for a deadline extension until 30 November 2017 the Chairman asked whether a realistic update could be provided, and the IT Client Section Head said she would investigate the matter.

On the subject of Corporate Credit Cards, the Head of Finance reported an extension of the deadline to 30 April had been requested as the department was busy budget-setting and undertaking other financial year-end tasks.

It was agreed to grant an extension of one month to the issues shown under Office Services 2016/17 as they were deemed to merit attention only.

RESOLVED:-

That the contents of the Internal Audit Progress Report progress report for 2016/17 be noted, and a Landscape Officer be asked to report to Audit Committee at its next meeting.

**AC 53/16 CHANGES TO ACCOUNTING POLICIES 2016-17 ANNUAL STATEMENT OF ACCOUNTS**

The Head of Finance said there were no significant changes to accounting policy. Members were informed of the change in the format of service analysis, and that, as a consequence, the report would be easier to read and reconcile.

RESOLVED:-

That the contents of the report be noted.

**AC 54/16 EXTERNAL AUDIT – CERTIFICATION WORK LETTER**

The External Auditor presented the report produced by EY and said there were two recommendations that related to Housing Benefit, and a meeting with the Head of Revenues and Benefits would take place on Wednesday 29 March. Failures had resulted in additional testing, and additional work was undertaken by EY following receipt of a letter from the DWP on the 2015/16 claim.

The External Auditor brought to the attention of the Committee the £10k decrease in fees payable compared to the prior year.

The Chairman asked for assurance that the outstanding work was a tidying up measure now that the new Head of Revenues and Benefits was in situ and the department fully staffed. The External Auditor reassured the Committee that the results of this work was comparable to other Councils and the vast majority of claims were qualified due to errors found.

A Member expressed concern that such anomalies affected people's lives and their ability to afford essential items, and the External Auditor said the Revenues and Benefits process was proportionally very accurate, and that errors could be corrected although some were inevitable.

RESOLVED:-

Noted the recommendations of the external auditor.

**AC 55/16 EXTERNAL AUDIT – ANNUAL AUDIT PLAN 2016/17 AND THE LOCAL GOVERNMENT AUDIT COMMITTEE BRIEFING**

The External Auditor presented the report to the Committee and talked through each item and stated that in terms of value for money planning, no risks were identified at this stage but the Committee would be updated if this situation changed. She added that Ernest Young (EY) was working with the Finance department to bring the Audit process forward due to an earlier close-off.

The Committee was invited to ask questions of the external auditor's Audit Plan 2016/17, and a Member asked who sets the rules and guidelines for external audit, to which it was said that CIFRA set the accounting framework to follow. The Chairman added that the external auditor was changed on a regular basis in order to prevent a too close relationship developing between the Council and the Auditor.

#### **AC 56/16 COMMITTEE'S WORK PROGRAMME**

The Committee's Work Programme was presented and the Chairman asked that the additional items be added as discussed:

- Turnover of staff (HR)
- Tree Surveying (Trees and Landscapes Officer)
- Asset Management (Head of Property Services)

RESOLVED:-

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

#### **AC 57/16 OTHER BUSINESS**

Councillor Martin Brooks said that IT matters had improved immeasurably since Capita ceased to be the service provider, and from a Councillor's point of view it was now brilliant. He expressed his thanks to Emma Tiernan, IT Client Section Head, for her efforts and those of her team.

CHAIRMAN