

THREE RIVERS DISTRICT COUNCIL

At a meeting of the Audit Committee held in the Penn Chamber, Three Rivers House, Northway, Rickmansworth, on Tuesday 20 March 2018 from 7.30pm to 8.32pm

Present: Councillors Steve Drury (Vice-Chairman), David Major, Joy Mann and Keith Martin.

Also in attendance:

Alan Cooper	Client Audit Manager (SIAS)
Andrew Brittain	Associate Partner (Ernst & Young)
Phil King	Emergency Planning and Risk Manager
Steven Halls	Chief Executive
Martin Henwood	Interim Head of Finance
Sunjiv Seetul	Section Head - Accounting
Sherrie Ralton	Committee Manager

AC 42/17 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor Sarah Nelmes (Cllr David Major substituted) and Councillors Joan King, Kemal Butt and Eric Bishop.

AC 43/17 MINUTES

The minutes of the meeting held on 5 December 2017 were confirmed as a correct record and were signed by the Chairman.

AC 44/17 NOTICE OF OTHER BUSINESS

There was none.

AC 45/17 DECLARATIONS OF INTEREST

There were no declarations of interest.

AC 46/17 FINANCIAL AND BUDGETARY RISKS

The Committee received a report on the monitoring of financial and budgetary risks.

A Member asked questions about the format of the Register of Risks. Officers requested that any other issues be advised by email so Officers could respond at the next meeting.

RESOLVED:

- a) Noted the financial and budgetary risks facing the Council;
- b) Noted the latest position; and
- c) Noted the Officer's assessment of the likelihood and impact of a risk occurring.

AC 47/17 INTERNAL AUDIT PLAN 2018/19

The Committee received a report giving details of the SIAS Internal Audit Plan for 2018/19.

The Client Audit Manager (SIAS) highlighted the following:

- The number of days purchased in 2018/19 had reduced by 10% from a total of 447 days to a total of 402 days across Three Rivers, Shared Services and Watford Borough Council's (WBC) plans.
- The plans had gone through a very robust process and any changes required throughout the year would have to be agreed with Officers and brought before the Committee.

In response to a question regarding delivery of the audit plans, the Client Audit Manager (SIAS) explained that the detailed work on individual audits were carried out at the client and also remotely at the SIAS base in Stevenage.

RESOLVED:

Agreed the annual SIAS Audit Plans for both TRDC and Shared Services.

AC 48/17 INTERNAL AUDIT PROGRESS REPORT 2017/18

The Committee received a report on the progress made in implementing the recommendations of the Internal Auditor.

The Client Audit Manager (SIAS) highlighted the following:

- Paragraph 2.10 PI Items 1 and 2 indicate progress against the delivery plan. Planned days were on target for the cut-off point of 2 March as 91% of days had been used. Item 2, was slightly behind the target of completed projects at 71% but 23 out of the 24 projects should get to draft by the end of the financial year.
- It had been agreed with Officers that the Community Infrastructure Levy (CIL) audit would take place at the beginning of April 2018.
- Paragraphs 2.4 – 2.7 summarised the progress in implementing the audit recommendations and demonstrated there were strong performances in delivering those actions by Officers.

The Committee asked if there was a due date for the four items outstanding. The Client Audit Manager agreed to email the Committee with the date.

RESOLVED:

1. Noted and agreed the revisions to the Internal Audit recommendations log; and
2. Agreed the changes to the implementation date for six recommendations for the reason set out in the Progress Report with the proviso that the Committee were informed of the due date for the four items outstanding.

Post Meeting Note:

The Client Audit Manager advised that the four internal audit recommendations arising from 2017/18 audits that were not yet due at the time of the March Audit Committee relate to the following audits:

1. *One from the Follow up of legacy IT audit recommendations & Extended DR scope audit (target date 30 June 2018),*
2. *Two from the Cyber Security audit (target date for both is 30 June 2018),*
3. *One from the Development Management audit (target date 1 April 2018).*

An update on the progress in implementing these actions will be brought to the next Audit Committee meeting scheduled for 24 July 2018.

AC 49/17 CHANGES TO ACCOUNTING POLICIES 2017/18 ANNUAL STATEMENT OF ACCOUNTS

The Section Head (Accounting) advised there were no significant changes to the accounting policies. It was the first year that the accounts were being prepared earlier with draft accounts due 31 May 2018 instead of 30 June 2018 with the final accounts due 31 July 2018. Previously the final accounts were due by 30 September. It was established that the Accounts would be signed off at the next Audit Committee meeting on 24 July 2018.

The External Auditor advised that the change of dates had presented some challenges. It had been flagged as a risk on their Audit Plan as it was the first time of going through this process. The reason the Government had requested the change of dates was to enable earlier reporting of accounts.

RESOLVED:

Noted there were no significant changes to the Council's accounting policies.

AC 50/17 EXTERNAL AUDITOR'S ANNUAL AUDIT LETTER 2016/17

The External Auditor (EY) advised that the Code of Practice required an annual letter to be issued to the Council summarising everything that had been presented to Committee for the year ending 31 March 2017.

A Member asked about the process for appointing External Auditors. The External Auditor (EY) explained that EY was appointed through Public Sector Audit Appointments Ltd to the Council, on behalf of the Government. EY had audited the Council accounts for the last two years. The PSAA had retendered all of their contracts and EY had been re-appointed to TRDC for five years from 2018/19.

RESOLVED:

That the Annual Letter be issued.

AC 51/17 EXTERNAL AUDIT – CERTIFICATION WORK REPORT 2016/17

The External Auditor (EY) presented the report and advised as follows:

- EY was under a contract under PSAA for carrying out the reporting on the subsidy claim made for Housing Benefit. The Council pays on behalf of the DWP Housing Benefit and then claims it back.
- A Certification requires the sum to be calculated to the last penny, no concept of materiality is applied to a certification form.
- Initial testing was carried out and if any errors were found a more extensive 40+ testing may be carried out, which means 40 further cases would be tested.
- Details of errors were listed in the report, however the low value reflected well on the Department.

It was noted by the Committee that EY was late filing last year, but this had been cleared with the DWP beforehand.

In 2018/19, the Council would be responsible for appointing its own reporting Accountants. The DWP would issue guidelines as to how this should be done. These should be out by the end of March with a deadline for completion of end June.

RESOLVED:

That the Certification of Work Report for 2016/17 be agreed.

AC 52/17 EXTERNAL AUDITOR AUDIT PLAN 2017/18

The External Auditor (EY) presented the External Audit Plan report for 2017/18

The following details were highlighted to the Committee:

- On page 5, two areas of significant risk listed were 1) Risk of fraud in revenue and expenditure recognition and 2) Management Override. These were found in all audit plans.
- Materiality was set on a percentage of gross expenditure of 2% which was just over £1m.
- Section 2, pages 10 & 11 identified further areas of risk, Business Rates Provision, Valuation of Land and Buildings and Pension Liability Valuation, also the Faster Close Process.
- Section 3, Value for Money Risks, at this point in time there were no identified significant risks to the Council.
- Section 4, Materiality. EY requested that the Audit Committee confirm its understanding of, and agreement to, the materiality reporting levels.
- Appendix A, Fees, these are set by the PSAA, but have not yet been confirmed.

RESOLVED:

The Committee Confirmed its understanding of, and agreement to the materiality reporting levels.

AC 53/17 ASSET MANAGEMENT

An outstanding recommendation dated from 2014/15 as part of the Internal Audit Progress Report which related to a resource being implemented which produced a regular report to identify lease renewals and rent reviews due. The Head of Property and Major Projects had provided the following update:

“After several unsuccessful attempts, a resource had now been located and there was confidence that positive progress could now be made. It was envisaged that the document writing, procurement process and establishment of the required contracts would take about six months to conclude. It was forecast therefore that the matter could be satisfactorily resolved by the end of this calendar year.”

RESOLVED:

That the update be noted.

AC 54/17 COMMITTEE’S WORK PROGRAMME

The Committee’s Work Programme was presented for the Committee to review and make any necessary changes.

RESOLVED:-

- 1) Noted the Work Programme; and
- 2) On the format of the Register of Risk, Members were asked to email questions to Officers and circulate to the Committee for information.

AC 55/17 UPDATE ON STAFF VACANCIES

The current list of staff vacancies was noted by the Committee.

The Committee was advised that this was a regular item at Management Board.

RESOLVED:

That the update be noted.

CHAIRMAN