

## THREE RIVERS DISTRICT COUNCIL

At a meeting of the Audit Committee held in the Penn Chamber, Three Rivers House, Northway, Rickmansworth, on Tuesday 24 July 2018 from 7.30pm to 9.07pm.

Present: Councillors Keith Martin (Chairman), Sarah Nelmes (Vice-Chairman), Steve Drury, Margaret Hofman, Joy Mann, Debbie Morris (substitute for Cllr Joanna Clemens), Joan King and Ralph Sangster (substitute for Cllr David Coltman).

Also in attendance:

Alan Cooper	Client Audit Manager (SIAS)
Martin Henwood	Interim Head of Finance
Garry Turner	Fraud Manager
Sarah Haythorpe	Principal Committee Manager

### **AC 01/18 APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillors Joanna Clemens, Marilyn Butler and David Coltman with the Substitute Members being Councillors Debbie Morris and Ralph Sangster.

### **AC 02/18 MINUTES**

The Minutes of the Audit Committee meeting held on 20 March 2018 were confirmed as a correct record and were signed by the Chairman.

### **AC 03/18 NOTICE OF OTHER BUSINESS**

The Chairman advised that the Statement of Accounts for 2017/18 had to be produced and audited two months earlier this year, by the end of July. The Audit Committee date had been set with a view to approving the audited Statement of Accounts and receiving the related Audit Results Report.

The Chairman asked the Committee to reconvene the meeting (under Rule 4 Point 5 of the Council Constitution) to consider the Statement of Accounts 2017/18 on Tuesday 31 July 2018 at 7pm, when a detailed review and discussion can take place on the Statement of Accounts.

On being put to the Committee the motion to reconvene the meeting to 31 July 2018 in order to consider the Statement of Accounts for 2017/18, External Auditor's Report, Annual Governance Statement and Major changes was agreed unanimously by the Committee.

RESOLVED:

That the Statement of Accounts, External Auditor's Report, Annual Governance Statement and Major changes be considered by the Audit Committee at a reconvened meeting on 31 July 2018 at 7pm.

### **AC 04/18 DECLARATIONS OF INTEREST**

There were no declarations of interest.

### **AC 05/18 FRAUD ANNUAL REPORT**

This report informed Members on the work of the Fraud Section for the financial year 2017/18. The Fraud Manager highlighted the following points to the Members:

- Collaborative working of the team;

- In 2017/18 there had been 17 sanctions issued which included prosecutions, cautions and financial penalties;
- Two properties were recovered for Thrive Homes and Aldwych Housing that were illegally sublet.
- 164 investigations completed with people being interviewed under caution;
- 388 referrals;
- On Single Person Discount for Council Tax the team had been able to return to the Council £63,708.84 of wrongly claimed discount.

A Member asked whether it was the Council's decision not to refer a caution to the Police or the Criminal Prosecution Service (CPS). The Fraud Manager advised that the Council used External Solicitors but various tests were undertaken as would be the case for the Police and the CPS.

Members noted that all staff received training on anti-fraud and this formed part of the staff induction. The current online training was being replaced through a joint venture with the County Council and once agreed would be rolled out to all staff with training provided.

The Committee thanked the Fraud Manager for the report and wished make its appreciation of the work of the Fraud team.

RESOLVED:

That the report be noted.

#### **AC 06/18 INTERNAL AUDIT ANNUAL REPORT 2017/18**

This report gave details of the activities of Internal Audit during 2017/18 and provided an opinion on the adequacy and effectiveness of the Council's internal control environment.

The SIAS Client Audit Manager provided the same assurance opinion for 2017/18 as that for previous years (Substantial assurance for financial systems and Moderate assurance for non-financial systems). He reported that although there had been significant improvements with IT the limited assurance given in the Cyber Security audit precluded a higher assurance opinion on non-financial systems. In view of this, a further audit of Cyber Security is scheduled for 2018/19 to review current arrangements.

Although SIAS did not undertake risk management or corporate governance audits in 2017/18, these arrangements were considered during annual audit planning and the delivery of individual audit assignments throughout the year.

As detailed in Appendix C there were two areas of non-conformance against the Public Sector Internal Audit Standards (PSIAS). This is determined from an annual self-assessment and these two areas have been identified as areas of non-conformance year-on-year and do not impact on the overall view that SIAS do meet the standards. In Appendix D details were provided on the Audit Charter for 2018/19.

If SIAS do not receive an update from Officers on their audit recommendations they could be asked to attend a Committee meeting to explain why the action had not been completed.

In response to a question on the 2018/19 financial systems and to what extent was the data shared, the SIAS Client Audit Manager advised that the main systems were

integrated although access to sensitive client data (such as Benefits) was restricted to the Revenues and Benefits service through access controls.

In response to a question on the circulation of the internal audit reports the SIAS Client Audit Manager advised they were circulated to the Head of Service and Service Manager and to the CEO, Director of Finance and Head of Finance. It was noted that the issuing of the reports to Members varied at each Council. Members were of the opinion that the Lead Member responsible for the area being audited should at least have a copy of the report.

A Member said reading all the internal audit reports can be quite a timely exercise and it would be better to provide an executive summary for Members to decide if they wish to see the full report. In addition the Audit Committee should also receive copies of the reports or be provided with web links to the documents.

The Chairman asked if Officers could look to create a webpage for the documents and that this be backdated to 1 April 2018. It was agreed by the Committee that the Lead Member and the Audit Committee Members should receive an executive summary of an audit report and to be able to request a copy of the full report if required and that a webpage be created.

On the Audit Charter the Chairman advised that he had concerns with the acceptance of the charter regarding the reference at section 8.3 to "The Audit Committee is also responsible for the effectiveness of the governance, risk and control environment within the Council, holding operational managers to account for its delivery". The Chairman advised that the Terms of Reference for the Audit Committee referred to the Committee having an oversight role rather than being responsible for the effectiveness of governance, risk and control. The Chairman requested that the Charter and the Audit Committee's Terms of Reference be reviewed and they be brought back to the Committee in September.

Members noted that there was no audit of Risk Management scheduled during 2018/19 but changes can be made by the Committee to the Audit Plan. Members agreed that risk should be included on the agenda at every meeting.

#### RESOLVED:

- 1) The Lead Member and Audit Committee Members to receive an executive summary of an audit report and to be able to request a copy of the full report if required and that a webpage be created;
- 2) Noted the Annual Assurance Statement and Internal Audit Annual Report;
- 3) Noted the results of the self-assessment required by the Public Sector Internal Audit Standards (PSIAS) and the Quality Assurance and Improvement Programme (QAIP);
- 4) Requested that the SIAS Audit Charter and Terms of Reference of the Committee be reviewed and be presented at the September meeting for approval and if the Terms of Reference are amended this be presented to Council for approval; and
- 5) Received management assurance that the scope and resources for internal audit were not subject to inappropriate limitations in 2017/18

#### **AC 07/18 INTERNAL AUDIT PROGRESS REPORT 2018/19**

The Committee received a report providing details on the progress of the 2018/19 Audit Plan and the implementation of internal audit recommendations.

Member's attention was drawn to the Annual Performance Indicators and Targets. Progress in terms of billable days and reports to draft (indicators 1 & 2 respectively)

were on target against the profiled target. Although one out of 24 projects had been completed to draft report stage, the profiling of the projects through the year is skewed towards the second half of the year due to the 9 key financial systems audits commencing in quarter 3. With regard to the actions still outstanding it was advised that all recommendations up to and including 2014/15 had now been cleared.

With regard to high/medium priority audit recommendations extensions to the recommendations should only be given by the Committee. Members were concerned that five extensions had been given to a recommendation which should have been completed in May '16.

Members were of the view that any audit recommendations overdue by a year should require the Head of Service/Service Manager to attend Audit Committee to explain why and if an extension to the time limit on a recommendation was required the Officer should be requested to explain why and be requested to attend a Committee meeting.

Members noted in Appendix 3 the revised assurance and priority definitions introduced for 2018/19.

RESOLVED:

- 1) Noted the Internal Audit Progress Report for the period to 6 July 2018
- 2) Agreed removal of implemented audit recommendations (Appendices 4 to 7)
- 3) Agreed changes to the implementation dates for 8 audit recommendations (Paragraph 2.5) for the reasons set out in Appendices 4 to 7.
- 4) Noted the revised assurance definitions / priority levels
- 5) Agreed that for any audit recommendations not resolved within one year, Officers responsible be requested to attend Committee to provide an explanation
- 6) Agreed that if officers wish to make any changes to the implementation dates they be requested to attend a Committee meeting to explain the reason for the changes to the dates.

#### **AC 08/18 EXTERNAL AUDIT PROGRESS REPORT**

This item had been deferred to be taken under item 10 at the reconvened meeting of the committee on 31 July 2018 at 7pm.

#### **AC 09/18 TREASURY MANAGEMENT ANNUAL REPORT 2017/18**

This report presents to Members the Annual Treasury Management report for 2017/18.

The Head of Finance advised that there had been changes on the use of the funds for investment due to the low interest rate the Council were earning on their investments although there was a need to have security, liquidity and return for the investment.

There had been no borrowing by the Council at the start or end of the financial year.

A Member advised that Central Government were considering Local Government use of their resources for investment. The Head of Finance was aware that the Government were looking at this but Officers considered the investments were not areas of concern. External advice had been obtained on the treasury investments.

RESOLVED:

That the report be noted.

**AC 10/18 EXTERNAL AUDITOR'S REPORT TO THOSE CHARGED WITH GOVERNANCE (JULY 2018) AND APPROVAL OF THE STATEMENT OF ACCOUNTS 2017/18**

This item was deferred to the reconvened meeting on 31 July 2018.

**AC 11/18 FINANCIAL AND BUDGETARY RISKS**

This report enabled the Committee to monitor the Councils financial and budgetary risks.

The Chairman advised that he had discussed with the Head of Finance the table to ensure it provided a platform for moving forward on the presentation of the financial and budgetary risks.

There was a requirement to provide more information in the register including the date the risk was added, removing a risk off the register if no longer a risk, what type of risk it was, controls of the risk, the level of risk, an action plan, who owns the risk, was it a credit risk or an operational risk and the priority of the risk. Details on the policies and procedures should also be included.

RESOLVED:

1. Considered the financial and budgetary risks facing the Council, noted the latest position and comments on the officers assessment of the likelihood and impact of a risk occurring; and
2. That the points raised by the Committee be considered when drafting the next report for the September meeting.

**AC 12/18 COMMITTEE'S WORK PROGRAMME**

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

Members requested that training be provided to the Committee in the following areas:

What does the Audit Committee do?

What's Internal Audit?

Governance

Risk Management

Members requested that a report be presented on staff vacancies, a review of the Terms of Reference of the Committee against the Audit Charter.

Consideration should also be given to providing the committee with a copy of the Officer Internal Risk Group notes.

RESOLVED:-

That subject to the points raised above, that the work programme be noted.

**CHAIRMAN**