

## THREE RIVERS DISTRICT COUNCIL

### MINUTES

At a meeting of the Audit Committee held in the Penn Chamber, Three Rivers House, Northway, Rickmansworth, on Tuesday 4 December 2018 from 7.30pm to 8.15pm.

Present: Councillors Keith Martin (Chairman), Sarah Nelmes (Vice-Chairman), Margaret Hofman, Joy Mann, Joanna Clemens and David Coltman.

Also in attendance:

Alan Cooper	Client Audit Manager (SIAS)
Alison Scott	Head of Finance
Phil King	Emergency Planning and Risk Manager
Jo Taylor	Audit Manager, EY
Sarah Haythorpe	Principal Committee Manager

#### **AC 28/18 APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillors Marilyn Butler and Joan King.

#### **AC 29/18 MINUTES**

The Minutes of the Audit Committee meeting held on 27 September 2018 were confirmed as a correct record and were signed by the Chairman.

#### **AC 30/18 NOTICE OF OTHER BUSINESS**

There was none.

#### **AC 31/18 DECLARATIONS OF INTEREST**

Councillor David Coltman advised that a member of his family was a VAT Inspector and had worked for various Councils but not Three Rivers. The Head of Finance advised that the declaration would be noted but would not affect his role on the Committee.

#### **AC 32/18 REVIEW OF RISK MANAGEMENT ARRANGEMENTS**

This report summarised the Council's risk management arrangements and included details on how the new risk management strategy was being implemented.

A Member asked if Brexit should be included as a risk. The Emergency Planning and Risk Manager advised that work was being undertaken for Cabinet/Management Board to consider as potentially Brexit could impact on the supply chains. If it was agreed it was a risk it would be included in the register as a new Strategic Risk.

A Member said the report was well thought through and praised the work of the Committee to look afresh at the risk arrangements.

RESOLVED:

That the Council's risk management arrangements and the Risk Registers for operational risks be noted.

#### **AC 33/18 FINANCIAL RISK REGISTER**

This report advised the Committee on the latest position in respect of the evaluation of financial risks facing the Council for discussion and any recommendations/comments they wish to make.

The Head of Finance highlighted the Committees attention to Paragraph 2.1 of the report and the movements in the risk register.

Members found the report and table very helpful and the narratives in the table very clear to understand.

A Member asked why there were still some risks from 2006 included. The Head of Finance advised that the risks were all still relevant as they formed part of the function of the organisation. Officers would, though, look to categorise which were structural risks and which were contextual risks for the next meeting.

**RESOLVED:**

The Committee reviewed the risk register and commented accordingly as detailed above.

#### **AC 34/18 INTERNAL AUDIT PROGRESS REPORT**

This report detailed the progress made in delivering the 2018/19 internal audit plan and implementing the recommendations made by internal audit.

The Client Audit Manager advised that 38% of the projects had been completed and they were on track to reach the target of 95% by the end of the financial year. The majority of the projects were likely to be completed by the end of January. It was noted that there were only nine outstanding audit recommendations compared to 26 a year ago.

On the Development Management recommendation 01 “to produce a comprehensive manual on the four stages of the application process” a Member asked for an update. The Client Audit Manager advised that as the recommendation only merited attention no information had been sought but he would find out.

On the Safeguarding 01 recommendation the Committee agreed that following the update from the Head of Community Partnerships they agreed the action to progress with a Safeguarding Action Plan and the recommendation be removed. The Client Audit Manager felt that it was legitimate to remove this recommendation.

**RESOLVED:**

- 1) Noted the Internal Audit Progress Report for the period to 16 November 2018.
- 2) Agreed the change to the implementation date for 1 audit recommendation (Paragraph 2.5) for the reason set out in the Appendices 3 to 6.
- 3) Agreed the removal of implemented audit recommendations (Appendices 3 to 6)
- 4) That an update be provided on the Development Management audit recommendation relating to the provision of a manual on the four stages of the application process.
- 5) That the Safeguarding 01 recommendation be updated as completed and removed from the outstanding recommendations.

#### **AC 35/18 CYBER SECURITY: AGED SERVER ESTATE**

At the September 2018 Audit Committee, the ICT Section Head made a request for a further extension for the following outstanding Cyber Security audit recommendation:

- All devices that are running unsupported operating systems should be upgraded to run operating systems that are supported by the developer.
- Where it is not possible to upgrade the operating system of a device, it must be isolated from the Councils' IT network and appropriate security controls implemented.

As part of a wider Core Infrastructure Transformation programme, this work stream had several stages; server review, dependency identification, agree plan and deliver.

Each of the out of support servers followed either a decommission path, upgrade path or migration into a more secure part of the network, termed "Walled Garden". The current position of the 29 unsupported servers as of mid-November 2018:

- 5 have been migrated to the "Walled Garden"
- 15 have been decommissioned
- 9 servers require further action and have a scheduled decommission or migration date prior to the end of December 2018

Members were pleased that the work would be completed by 31 December 2018.

RESOLVED

That the report be noted.

#### **AC 36/18 TREASURY MANAGEMENT MID-YEAR REPORT 2018/19**

This report gives details of the 2018/19 mid-year review of the Treasury Management function

A Member asked if a raise in interest rates would affect the Council. The Head of Finance advised that the public body loans board (PBLB) had forecast the interest rates a long time ago therefore there would be a limited effect on the Council. If the Council borrowed any money they did so at a fixed interest rate rather than a variable rate. The Council had approved two loans, one to Thrive Homes and the other to Watford Community Housing at a fixed rate. It was noted that the Council were lending at a premium when compared to their borrowing costs. Both the loans were secured against the developments they were financing.

RESOLVED

That the contents of the 2018/19 mid-year review of the Treasury Management function be noted.

#### **AC 37/18 DRAFT CAPITAL STRATEGY**

This report seeks comments from the Audit Committee on the draft capital strategy for 2019/20. The Head of Finance said the strategy provided a clear overview and focus and would be approved as part of the budget setting process at Full Council.

There were no comments made.

RESOLVED

That the draft strategy be noted.

**AC 38/18    COMMUNICATING THE ACCOUNTS**

This report was in response to a request by the Committee to consider how the dissemination of the information contained within the Statement of Accounts can be improved.

The Head of Finance advised that at the last meeting the Committee had discussed the issue of the Council's Accounts being more user friendly. Consideration was being given to providing a one page summary of the accounts on the internet for everyone to understand to include the key facts and figures along with some visual graphics.

EY said there were protocols to be considered on how the information the Council published with the accounts protected against the statement EY made when auditing the accounts.

A Member said their thought was to have a one page summary with graphics/charts which picks out the key facts and figures with a weblink to the Accounts and External Audit statement.

RESOLVED:

That the comments made be considered to improve the communication of the information within the Statement of Accounts.

**AC39/18    EXTERNAL AUDITORS**

The new Audit Manager at EY, Jo Taylor, was welcomed by the Committee.

Jo Taylor provided an overview of her experience in auditing and all the Members provided details on their role on the Committee.

**AC 40/18    COMMITTEE'S WORK PROGRAMME**

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

RESOLVED:

That the Work Programme be noted.

**CHAIRMAN**