

## THREE RIVERS DISTRICT COUNCIL

### DRAFT MINUTES

At a meeting of the Audit Committee held in the Penn Chamber, Three Rivers House, Northway, Rickmansworth, on Tuesday 26 March 2019 from 7.30pm to 8.09pm.

Present: Councillors Keith Martin (Chairman), Sarah Nelmes (Vice-Chairman), Marilyn Butler, Steve Drury, Margaret Hofman, Joy Mann and Diana Barber (substitute for Joanna Clemens).

Also in attendance:

Alan Cooper	Client Audit Manager (SIAS)
Garry Turner	Fraud Manager
Jo Taylor	Audit Manager, EY
Mike Simpson	Committee & Web Officer

#### **AC 41/18 APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillors Joanna Clemens (Cllr Diana Barber substituted) and Joan King.

#### **AC 42/18 MINUTES**

The Minutes of the Audit Committee meeting held on 4 December 2018 were confirmed as a correct record and were signed by the Chairman.

#### **AC 43/18 NOTICE OF OTHER BUSINESS**

There was none.

#### **AC 44/18 DECLARATIONS OF INTEREST**

There were no declarations of interest.

#### **AC 45/18 EXTERNAL AUDITORS REPORT**

The external auditor presented the EY report that summarised the results of their work on Three Rivers District Council's 2017-18 housing benefits claim. She said there was nothing irregular within, and although she had not been involved with the audit as she was new to the team, it was the best such report she had read.

A Member said positive feedback like this was always very reassuring and credit was due to Officers.

RESOLVED:

That the external auditors' report be noted.

#### **AC 46/18 EXTERNAL AUDITOR AUDIT PLAN 2019/20**

The report provided an overview of the external auditor's approach and scope for 2018-19. She said the section that addressed objective and scope summarised the scariest elements of the report but were items that had to be considered.

The external auditor cited the Valuation of Pension Fund Assets and Liabilities as an item that required follow-up with the auditors of Hertfordshire County Council Pension Fund to gain assurances relating to information supplied with regard to Three Rivers District Council.

A Member said due to his role within the Local Government Pension Scheme he should perhaps have declared a non-pecuniary interest. He asked the external auditor how, in her opinion, year-end accounts would be affected by the uncertainty of the date relating to the UK's withdrawal from the European Union.

The external auditor noted that EU exit will now be a post balance sheet event and is therefore not currently expected to impact on year-end pension and land and building asset valuations in the same way as was envisaged at planning stage. The external auditor noted that it was possible subsequent events disclosure on any impact of EYU Exit may become necessary. The external auditor also noted that central guidance may perhaps be issued around this for example by the National Audit Office (NAO).

Lastly it was noted that the situation is changing day by day and is under constant review.

A Member said that as long as all actions were recorded and available for scrutiny there was nothing to fear.

The external auditor referenced EY's fees for 2018-19 of £40,021, which followed the negotiation of a new agreement.

**RESOLVED:**

That the Committee noted the Audit Plan 2019-20.

## **AC 47/18      ACCOUNTING POLICIES 2018/19**

The Fraud Manager introduced the report, which highlighted several changes proposed to accounting policies for the 2018/19 accounts, and were driven by the adoption of two new standards

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers

The Fraud Manager said that because this was not his area of expertise, and he was at the meeting as a deputy for the Head of Finance, he would be happy to take questions he was unable to answer away from the meeting for a later response.

A Member asked whether IFRS 9 was driven by the financial crisis of 2008/09 and another Member asked how it would affect the Council. The Fraud Manager said his understanding was that the Council's exposure to risk was very low, but would refer the question to the Head of Finance for a more detailed reply.

A Member asked how IFRS 15 would impact local authorities, and the Chairman said the question would also be referred to the Head of Finance.

**RESOLVED:**

That the Committee noted the Accounting Policies report for 2018/19

**AC 48/18      SIAS INTERNAL AUDIT PLANS 2019/20**

The SIAS Client Audit Manager introduced the report which provided Members with the proposed Three Rivers District Council and Shared Services 2019/20 Internal Audit Plans. He added that as the plans covered the next 12 months they were therefore subject to change but changes would be brought before this committee for approval.

A Member said the report was much more concise than previously, which was a positive outcome.

The Chairman asked whether the Shared Services Audit Plan had been approved by Watford Borough Council, to which the internal auditor replied it had.

**RESOLVED:**

That the Committee approved the proposed Three Rivers District Council and Shared Services Internal Audit Plans for 2019/20.

**AC 49/18      INTERNAL AUDIT PROGRESS REPORT**

The SIAS Client Audit Manager presented the standard quarterly report which related to the current year audit plan, and detailed the following:

- o Progress made by the Shared Internal Audit Service (SIAS) in delivering the Council's annual audit plan for 2018/19 as at 8 March 2019.
- o Proposed amendments to the approved 2018/19 Annual Audit Plan
- o Implementation status of all previously agreed audit recommendations from 2016/17 onwards.
- o An update on performance management information as at 8 March 2019.

He referenced the performance indicators for Three Rivers against the set targets, and expected the targets for billable days and reports to draft to meet or exceed the target of 95%. The internal auditor added that strong progress had been made in delivering the plan this year.

With reference to the Outstanding Recommendations from the Audit Plan, the Chairman said it had been agreed by the Audit Committee that, if deadlines required extending, they must be referred to the Committee for approval before the extension was applied.

Some of the outstanding audit recommendations for the Council Tax and NNDR audits have a 31 March 2019 target date and the updates sourced from the relevant service manager at the end of February 2019 indicated that these were on-track for completion. At the date of the actual committee meeting no further update was forthcoming and as there is potentially a 4 month gap to the date of the next committee meeting it was agreed that the Client Audit Manager would seek assurance from management that these have now been resolved and report this back to members before the next committee meeting.

The Chairman referred to the Contract Management items with original deadlines of December 2017, and the SIAS Client Audit Manager said the target dates had been pushed back to 30 April 2019 at the December 2018 meeting of this committee and management assured that they were now on track.

RESOLVED

- That the internal audit progress report for the period to 8 March 2019 be noted.
- That changes to implementation dates for two audit recommendations (paragraph 2.5) for the reasons set out in Appendices 3 to 5 be agreed, and
- That removal of implemented audit recommendations (Appendices 3 to 5) be removed.

**AC 50/18 FINANCIAL AND BUDGETARY RISKS**

The Fraud Manager provided an update of financial risks and drew the Committee's attention to three specific areas of movement in the risk register (as detailed in paragraph 2.1).

An error was identified on the budgetary risk register appendix whereby item FIN14 showed an upward pointing arrow and it should have been downward.

The Chairman asked whether in the Committee's opinion the external audit schedule should be included as an item on the risk register. The Fraud Manager said he would refer the question to the Head of Finance.

The Chairman said there was a need to ensure risk controls could be evidenced, and that all controls were in place. Doing so would have a positive effect on controlling risk, and that there was no point in identifying risks if there were no controls in place.

RESOLVED

That the Financial and Risk register report be noted.

**AC 51/18 COMMITTEE'S WORK PROGRAMME**

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

The Chairman asked Members of the Committee whether they would support an additional meeting of the Audit Committee as there were many agenda items planned for the meeting scheduled for Tuesday 23 July. He said it might be worth meeting earlier to discuss the risk register and SIAS items to make more time available at the scheduled meeting.

RESOLVED:

That the Work Programme be noted, and that the Chairman would discuss the possibility of arranging an additional meeting of the Audit Committee in early summer with the Director of Finance and the Principal Committee Manager.

**AC 52/18 ANY OTHER BUSINESS**

There was no other business.

**CHAIRMAN**