
AUDIT COMMITTEE

MINUTES

Of a virtual/remote meeting of the Audit Committee held on Tuesday 23 March 2021 at 7.30pm to 8.30pm.

Members of the Audit Committee:-

Councillors:-	Margaret Hofman (Chair)	Keith Martin (Vice-Chair)
	Tony Humphreys	Dominic Sokalski
	Michael Revan	Shanti Maru

Also in attendance:

Alison Scott	Shared Director of Finance
Alan Cooper	Client Audit Manager (SIAS)
Garry Turner	Fraud Manager
Sarah Haythorpe	Principal Committee Manager

AC 34/20 APOLOGIES FOR ABSENCE

None received

It was noted that the External Auditors had sent their apologies to the meeting.

AC 35/20 MINUTES

The Minutes of the Audit Committee virtual/remote meeting held on 23 November 2020 were confirmed as a correct record and would be signed by the Chair once it was possible to do so.

AC 36/20 NOTICE OF OTHER BUSINESS

None received.

AC 37/20 DECLARATIONS OF INTEREST

None received.

AC 38/20 EXTERNAL AUDIT UPDATE 2019/20

The Shared Director of Finance advised that this update related to the 2019/20 Statement of Accounts. As at the beginning of last week there were 147 audits still outstanding across England.

The Council were reaching a conclusion with EY. There was an outstanding query around the property data which we were pulling together but it had been difficult to get access to physical data as we have all been away from the office. It was hoped within the next couple of weeks to have the audit signed off and finished. The audit had been a lot longer this year partly due to Covid but also due to a lot of additional

information required by the External Auditors over and above what they previously required.

The Chair advised that they had spoken with the Shared Director of Finance to request they organise a private meeting with EY and Committee Members. This was a recommendation from CIPFA.

RESOLVED:

Noted the verbal update.

AC 39/20 FRAUD ANNUAL REPORT 2020/21

This report informed Members of the work of the Fraud Section for the financial year 2020/21.

The Fraud Manager advised that Members would see from the report details on the consequence of Covid and the restrictions that were imposed from 23 March 2020. The Fraud section had been diverted to assist with frontline services with a timeline provided on where the resources were deployed. The Fraud Team had not been able to undertake any face to face interviewing since last March.

One of the initiatives the team had been working on was Operation Sustain which was a Hertfordshire Initiative working with a number of partners including the County Council, NHS, Public Health England, local Health Partnerships and third party sectors including Housing providers. The initiative had pulled together data, using the legislation put in place, to enable us to identify residents who were not captured by Operation Shield but who were vulnerable and needed support to deal with isolation. The team were able to establish that around 6,000 residents in Three Rivers potentially needed extra support. The residents were all written to with details provided on where they could obtain financial, practical, emotional and medical support.

Other colleagues in the team had been working on the business rates grants and track and trace grants (where residents are instructed to stay at home) which was still continuing. Moving forward the team would be capturing data from various data matching exercises for example for the single person's discounts within Council Tax, and identifying any mismatches. They had also uploaded data for a National Fraud Initiative led by the Cabinet Office, which was mandatory, and brought together about 1,200 organisations to compare information from all the different financial systems to identify where there may have been any fraud or error. This data was then broken down to try and identify where the risk lies and target our resources to that.

On Council Tax Reduction the Fraud team had 176 matches to look at and were looking at other areas as well. This year the team would also undertake post assurance checks of the business rates grants, a Government initiative, but using their criteria for the checks.

A Member asked if we were aware of any fraudulent claims for Covid 19 grants for Council Tax relief in the last 12 months. The Fraud Manager advised that in terms of the grants the team had prevented a number of grants being paid by introducing various systems. The Council had been under pressure to pay the grants in a timely fashion but had introduced procedures such as sharing data and data matching. Covid had given rise to emerging frauds and one of those was the business rates grant. Companies were setting themselves up and registering for business rates to make themselves eligible for the grant. The findings of the fraud investigations from this would be reported in next year's report.

A Member asked how much of the teams work had not been able to take place due to Covid and does this increase the workload when things get back to normal. The Fraud Manager advised that the indication from the matches was there was about a 25% increase in potential fraudulent applications across the board but this excluded the business rates grant work. As a consequence of not being able to conduct any face to face interviews the team had not been able to target any individuals for this whole period. The single person discount fraud had shown to have gone up about 40% from the matches.

A Member asked what other tools the team were using with not being able to do face to face interviews due to Covid. The Fraud Manager advised there had been no new legislation put in place to deal with fraud or the time limits which deals with how you investigate cases. By not being able to do face to face interviews the team were unable to comply with the legislative time limits so were not able to issue any sanctions and take any action against any individuals. At present the team relied on data matching but this can only be used as an intelligence tool to assist with the investigation. A variety of tools are used including credit data, sharing intelligence with other organisations and reacting to referrals that come in from the Fraud hotline.

RESOLVED:

That the report be noted.

AC40/20 ACCOUNTING POLICIES

The Shared Director of Finance provided details on the Accounting Policies to be used in preparing the Council's 2020/21 Statement of Accounts as set out in Appendix 1 to the report. There were no changes proposed to the accounting policies this year. The Council were originally going to change the way we accounted for leases but CIPFA, who set the standards for LAs, postponed the introduction of that standard for another year due to Covid. The postponement was largely around a recognition that in order to implement this properly LAs were going to need to go back through hard copies of records to identify any changes in leases and this would not be possible with everyone working from home. It was expected this would come in from 2021/22. Officers had done some work already and did not feel this standard would have a great deal of impact on Three Rivers as we don't have many leases.

A Member asked if the External Auditors had ever asked to change our accounting policies. The Shared Director of Finance advised that we tend not to have any questions over the main accounting policies because that was all set out in the Local Authority Accounting Code. Officers do have discussions over how we account for individual items and we have had discussions in terms of the 2019/20 accounts over accounting for the South Oxhey Initiative. We had similar discussions last year when EY asked us to change our accounting policy and this year they have asked us to change it back to how we were previously accounting for it.

A Member asked what was involved in the accounting treatment for the South Oxhey Initiative. The Shared Director of Finance advised that previously it was about how they asked us to treat work in progress on the initiative which was normally as a fixed asset or an asset under construction. If it is treated as an investment asset or part of an investment portfolio it is treated as an inventory. Last year we treated it as inventory this year they asked us to treat it as work in progress.

RESOLVED:

The Committee reviewed the policies and made the comments above.

AC41/20 SIAS INTERNAL AUDIT PLANS 2021/22

This report provided Members with the proposed Three Rivers District Council and Shared Services 2021/22 Internal Audit Plans.

The Client Audit Manager advised that the plans were being presented to the Committee for sign off and for the plans to be delivered from April onwards with updates being brought back to the Committee throughout 2021/22. In terms of the split of days, at Section 2.8 there was a table which showed that the plan for Three Rivers totalled 123 days and 100 days for Shared Services which covered R&B, Finance, IT and Payroll services. The detail for the Three Rivers audits was provided in Appendix A and Appendix B showed details for the shared services audits. Traditionally SIAS would list out a series of individual audits but having spoken to officers and due to the amount of change we had all gone through over the last year it seemed to make sense to have a different approach for the shared service audits going forward. So rather than committing now to dates it was better to review this during the year. The audits tended to start in Quarter 3/early in the New Year which was 6 to 8 months away. The plan gave the Committee an indication of the amount of time planned but the detail will come later following discussions with the Heads of Service and Service Managers to agree the precise scope of the audits.

A Member asked what co-operation SIAS had with the External Auditors. The Client Audit Manager said that the sharing of reports was available to them with the final audit reports sent in one batch when requested. The other main area of interaction was as part of the year end work and they would ask SIAS to complete a declaration and to give a view on the fraud risks generally and on the governance situation. The declaration was normally received in the second half of April which SIAS would look at, assess and give a view on. No formal meetings are held which was fairly standard.

The Chair had been looking at the Terms of Reference of the Committee and questioned where it stated "to ensure that there were effective relationships between the external auditors and internal audit, inspection agencies and other relevant bodies." The Shared Director of Finance said those inspection agents were not relevant to us as a District Council other than DWP. It was mainly aimed at organisations such as County Councils where OFSTED maybe involved and the Quality Care Commission. At District level we have very few inspectorates. In terms of the relationship and how they work together that was very much managed by the Audit Code which was set by the National Audit Office and provided details on how the two should work together and the type of things the auditors should be looking for.

The Chair said Officers may need to review the Terms of Reference. The Shared Director of Finance advised that these would be looked at the next opportunity but any changes would need to go to Full Council.

RESOLVED:

Approved the proposed Three Rivers district Council and Shared Services 2021/22 Internal audit plans

AC42/20 SIAS INTERNAL AUDIT PROGRESS REPORT

The Client Audit Manager advised this was the internal audit progress report which showed where SIAS were with progress up to 12 March 2021, any changes to implementation dates requested by Officers with the audit recommendations and where audits had been completed and were to be removed. It had been a challenging year for all parties with eight audits outstanding. Two further audit

reports had gone out since the report was published and it was expected four more would go out in the next few days. There were two audits which were unlikely to be finalised by 31 March but would be completed in the first half of April and taken into account within the annual assurance certificate. On the planned changes it included some work on the governance and health and safety arrangements and how the Council responded to Covid over the last year. This work would be completed in the first half of April. There had been requests made for an extension/amendments of six audits under Paragraphs 2.6 and 2.7 of the report as the recommendations would not be able to be completed within the timescales.

SIAS had taken on board the public sector internal audit standards advice to change the opinions as per the recommendations of CIPFA for the year 2021/22. SIAS currently used a range of four assurance opinions within internal audit reports, these being Good Assurance, Satisfactory Assurance, Limited Assurance and No Assurance but from 2021/22 it was proposed to change to Substantial assurance, reasonable assurance, limited assurance and no assurance.

Members noted that there were still audit recommendations which had not been completed within the timescales provided with some having had the deadline extended. These were around a GDPR audit and two in risk management with the latest dates being 31 December and 30 November. The Committee had agreed before if they had not been provided with an update they would ask the officer responsible to provide a written update within a week of the meeting. The Shared Director of Finance agreed to ensure this happened.

RESOLVED:

1. Noted the Internal Audit Progress Report for the period to 12 March 2021;
2. Approved amendments to the Audit Plan as at 12 March 2021;
3. Agreed changes to the implementation dates for 3 audit recommendations (Paragraph 2.6) for the reasons set out in Appendices 3 to 5;
4. Agreed removal of implemented audit recommendations (Appendices 3 to 5);
5. That a written update be provided to Members on why some recommendations had not be completed.

AC43/20 FINANCIAL AND BUDGETARY RISKS

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 Shared Director of Finance advised that the Council had a new Interim Head of Finance who would look at the budgetary and financial risks before the next meeting to make sure the Committee had some more detail on items which had changed between Committees and do a deep dive of those.

A Member asked a question on the Government income guarantee scheme which had provided Councils with funding due to loss of income caused by Covid 19 and wondered when the Council would start receiving payments. The Shared Director of Finance advised the Council had received its first payment. The Government were due to make three payments. Another interim payment was due the middle of next week and the final payment after the year end. The Government had now also extended payments to Quarter 1 of 2021/22.

A Member asked about commercial investments and property investments and if these were on track and could examples be given of recent commercial investments. The Shared Director of Finance said these details were reported as part of the Budget Monitoring report to P&R Committee. The last report had stated that all investments were on track and are aware of only one issue in terms of a

small part of a building rented to Jigsaw. The business had been shut due to the pandemic and we were not receiving any rent at the moment. There are no new commercial investments but the Council was continuing to manage our existing assets. The Council were still investing in housing to provide housing in the District. Officers reported the financial impact of Covid as part of the Budget Monitoring report to P&R Committee at least 4 times a year. This year we had reported five times due to the issues around Covid. The Council were comfortable around the level of reserves and use of reserves and we had rebalanced the budgets for the first time since July in respect of Covid and had set a balanced budget.

RESOLVED:

Noted the report.

AC44/20 COMMITTEE'S WORK PROGRAMME

To review and make necessary changes to the Audit Committee's Work Programme

The Committee noted that work would be undertaken to look at the Terms of Reference and compare them with what we have done this year. The Chair would work with the Shared Director of Finance on those changes and present to the next Full Council meeting to approve. Audit Committee Members were encouraged to bring forward any suggestions to the Chair.

RESOLVED:

That the work programme be noted.

CHAIR