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## AUDIT COMMITTEE MINUTES

Of a meeting held in the Penn Chamber, Three Rivers House, Rickmansworth on Thursday 30 September 2021 from 7.30pm to 8.38pm

Councillors present:

Margaret Hofman (Chair)  
Tony Humphreys  
Ruth Clark

Keith Martin  
Cllr Shanti Maru (for Cllr David Coltman)  
Cllr Alison Wall

Officers: Hannah Doney, Head of Finance and Sherrie Ralton, Committee Manager

Also present: Alan Cooper, Client Audit Manager (SIAS)

Also present via teleconference for item AC 27/21: Alison Kennet and Simon Luk - Ernst & Young (EY)

### **AC 20/21 APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillors Joan King and David Coltman with Councillor Shanti Maru attending as substitute Member.

### **AC 21/21 MINUTES**

The Minutes of the Audit Committee meeting held on 27 July 2021 were confirmed as a correct record by the Committee and were signed by the Chair of the meeting.

### **AC 22/21 NOTICE OF OTHER BUSINESS**

The Chair ruled that the following items of business had not been available 5 clear working days before the meeting but were of sufficient urgency for the following reason:

Item 7 The Appendix to the Statement of Accounts had been omitted from the Agenda but had been available on another location on the website but was of sufficient urgency for the Committee to consider so that the finalisation of the Statement of Accounts could be progressed.

Audit Committee Training was still outstanding but was of sufficient urgency to be considered for new members. There should be a clear training programme for the rest of the Local Government year. The Head of Finance agreed to put together a programme of training which would include the topic of Treasury Management.

### **AC 23/21 DECLARATIONS OF INTEREST**

There were no declarations in interest.

**AC 24/21 SIAS BOARD ANNUAL REPORT**

The Client Audit Manager (SIAS) advised that this report summarised the work they did across all their clients for 2020/21 and was just for information.

There were no questions.

RESOLVED:

The Committee received and noted the SIAS Board Annual Report.

**AC 25/21 SIAS ANNUAL ASSURANCE STATEMENT & INTERNAL AUDIT ANNUAL REPORT 2020/21**

The Client Audit Manager (SIAS) advised that this report was specifically for Three Rivers District Council as follows:

- a) Details the Shared Internal Audit Service's (SIAS) overall opinion on the adequacy and effectiveness of Three Rivers District Council's (the Council) control environment. Reference was made to any significant matters and key themes.
- b) Shows the outcomes of the self-assessment against the Public Sector Internal Audit Standards (PSIAS) incorporating the requirements of the Quality Assurance and Improvement Programme (QAIP).
- c) Summarises the audit work that informed this opinion.
- d) Shows SIAS performance in respect of delivering the Council's audit plan.
- e) Presents the 2021/22 Audit Charter

The Client Audit Manager pointed out that there was a minor amendment to the Charter which was that the Chief Audit Executive who was the Head of Assurance for Herts County Council had been changed following feedback from an external assessor in June, and that it should reflect the individual who has a more day to day role, so had been changed to the Client Audit Manager.

The Head of Finance confirmed assurance that the scope and resources for internal audit were not subject to inappropriate limitations in 2020/21

Councillor Keith Martin, duly seconded, moved all the recommendations set out in the Audit Annual report.

On being put to the Committee the recommendation was declared CARRIED by the Chair of the meeting having been agreed by general assent.

RESOLVED:

- Noted the Annual Assurance Statement and Internal Audit Annual Report
- Noted the results of the self-assessment required by the Public Sector Internal Audit Standards (PSIAS) and the Quality Assurance and Improvement Programme (QAIP)
- Accepted the SIAS Audit Charter
- Sought management assurance that the scope and resources for internal audit were not subject to inappropriate limitations in 2020/21

## AC26/21 **SIAS INTERNAL AUDIT PROGRESS REPORT 2021/22**

The Client Audit Manager (SIAS) gave a brief explanation of what Internal Audit's function was and that Internal Audit was a legal requirement in the Public Sector but not in the Private Sector.

The Client Audit Manager confirmed that members of the public would not have access to individual audit reports but would have access to the summary report.

A Member pointed out that a specific web page had been set up previously where all the Audit Reports had been made available to Councillors.

The Client Audit Manager said the report was a positive example of how they worked with Officers and detailed:

- a) Progress made by the Shared Internal Audit Service (SIAS) in delivering the Council's annual audit plan for 2021/22 as at 17 September
- b) Proposed amendments to the approved 2021/22 Annual Audit Plan.
- c) Implementation status of all previously agreed audit recommendations from 2018/19 onwards.
- d) An update on performance management information as at 17 September 2021.

There were seven recommendations where Members were asked to approve changes to various dates.

Updates had been received on the three recommendations which were due on 30 September. The Taxi Licensing recommendation had been delayed due to technical issues which had been referred back to the software company. A Payroll recommendation about a new procedure was awaiting sign off by UNISON.

A Member asked for the owners of the following recommendations to write to all the Audit Committee Members within ten working days confirming how they would be closing the recommendations and why the revised deadlines had been requested and confirmation that they would be completed by that date:

- Benefits 2018/19 recommendation 02 due for completion on 31 May 2019, revised deadline now 31 November 2021. The Committee required assurance that if the deadline was extended again it would be met and a further extension request would not be required.
- Property Rent and Leases 2019/20 recommendation 01. The table did not make it easy to see what was going on and why there were separate items in this. There were three items that had not yet been closed and it was not clear why they should be giving extension dates to something with multiple recommendations in it. The Audit Committee wanted to know why the revised implementation dates were required as there was insufficient information.
- Property Rent and Leases 2019/20 recommendation 02. The Committee should not agree to an extension to any implementation deadline for medium recommendations or above without knowing why a recommendation has not been implemented by the date. The action to

date column did not give any reason why the initial deadline had not been met. An 'in progress' comment is not sufficient. The Client Audit Manager would provide clarity on this item.

- Property Rent and Leases 2019/20 recommendation 03, this was low risk so the Committee agreed the revised deadline.
- Taxi Licensing 2019/20 recommendation 01, this was low risk so the Committee agreed the revised deadline.
- Risk Management 2019/20 recommendation 04. The Client Audit Manager had received an update that the e learning package had now been prepared and was expected to go live during October 2021. If complete this would be closed at the December meeting.
- Garage Income 2020/21 recommendation 01. Original deadline 2021, the owner wants an extension to February 2022. An update required to explain the reason for the extension request.
- Council Tax 2020/21 recommendation 01, Three month extension had been requested. What were the risks? Are the service prioritising the highest risk areas? An update required to explain the reason for the extension request.
- Debtors 2020/21 recommendation 02, Should have been completed July 2021 extension to 31 October 2021, the Committee agreed the extension.
- Debtors 2020/21 recommendation 03, two month extension requested, low risk so the Committee agreed.

The Chair queried the suspense account. The Head of Finance advised that the sum to be written out, relating to historic items, was £3,000. They would be looking at a way to get controls built into the finance system to ensure that the balance on the suspense account can be reconciled to individual outstanding items.

Members asked what happened to the money in the suspense account. The Head of Finance explained that the balance arises when income cannot be matched to individual debtor accounts. This balance is held on the balance sheet. The size of the balance means that it is very low risk.

On being put to the Committee recommendations 1 and 3 were declared CARRIED by the Chair of the meeting having been agreed by general assent.

On Recommendation 3 it would be dependent upon written response received by the Audit Committee within 10 working days.

RESOLVED:

Agreed recommendations 1 and 3 as detailed below: Noted the Internal Audit Progress Report for the period to 17 September 2021

Agreed removal of implemented audit recommendations (Appendices 3 to 6)

RESOLVED:

Dependent upon the written response received by the Audit Committee within 10 working days:

The Committee would agree changes to the implementation dates for 7 audit recommendations (paragraph 2.5) for the reasons set out in Appendices 3 to 6 but should the written responses not be agreed by the Committee the recommendations would not be agreed and would come back to the December meeting with the Head of Service required to attend the meeting to provide an explanation on why the recommendations had not been resolved.

## **AC27/21 STATEMENT OF ACCOUNTS**

The External Auditors (EY) gave an update on the latest position regarding the finalisation of the Statement of Accounts 2020/21 and completion of the annual external audit.

Once they received outstanding responses from the Council they would look to sign the 2019/20 Statement of Accounts. They would then move on to the 2020/21 accounts as soon as Three Rivers were ready. A plan would be issued for 2020/21 with timelines agreed with Officers. With the aim of getting the Council back on track with the usual timeline of Audits.

The Housing Benefit claim has not been signed off for 2019/20 due to staff workloads meaning they had struggled to complete the DWP workbooks on a timely basis. They had now made a start on this.

The Chair asked about the audit recommendations so far on the 2019/20 audit. EY replied that the Audit Results report had been brought to the previous Committee Meeting and the issues were mainly regarding the Capital Accounting and compliance with the accounting code of practice.

The Head of Finance understood the issues were due to classification differences between asset classes and an issue with additions to the assets which were not being correctly matched. They were hopeful that detailed work taking place currently would fix this. They hoped they would be in line with the Government timeline for the 2021/22 accounts.

EY assured the Committee that there had been no issues with the Value for Money arrangements for 2019/20.

A Member asked if the External Auditors based their work on Internal Audit findings. They confirmed that if there were any issues they would.

The Head of Finance advised that the latest draft version of the Statement of Accounts had now been published but there were areas where the numbers would change as information was still outstanding. Members were advised not to spend too much time working through this version of the accounts. The Head of Finance would schedule a training session in order to work through the final version of the accounts in detail, ahead of members being asked to approve them at a future meeting.

The Chair had additional questions and would send them by email to the Head of Finance and would copy in Members of the Audit Committee.

**RESOLVED:**

The Committee noted the progress on the Statement of Accounts 2020/21.

**AC28/21 BUDGET MONITORING PROCESS**

This report set out high level budget setting and monitoring process.

There were no questions.

RESOLVED:

That the report be noted

**AC29/21 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 Head of Finance highlighted one change which was an improvement in the residual risk relating to loss of key personnel.

A Member explained that the direction that the risk was going in was indicated by an arrow and there had only been one change to the level of risks. Most arrows were sideways and one was going down.

A Member asked whether there was any reason to expect that the residual level of any of the risks would increase. The Head of Finance said they would not expect that to be the case and hoped they would be able to reduce the risk of further loss of key personnel as they were in the midst of a recruitment process at the moment. There were no new risks anticipated. The Head of Finance was happy that the controls set out on the risk register could be evidence that they were being used.

On being asked by the Chair the Head of Finance explained the difference between the inherent risk and residual risk.

A Member asked whether all the staff who had been redeployed had gone back to their departments. There were still some members of the fraud team supporting the Test and Trace programme but otherwise within Finance everyone was back.

RESOLVED:

That the report be noted.

**AC 30/21 COMMITTEE WORK PROGRAMME**

Training would be added to the work programme. The Head of Finance would look at the previous training that took place.

RESOLVED:

That the work programme be noted and a training schedule to be added.

CHAIR