

## **AUDIT COMMITTEE**

**30 July 2020**

Present: Councillor M Hofman (Chair)  
Councillors N Bell, P Kloss, M Parker and J Pattinson

Also present: Councillor M Watkin, Portfolio Holder  
Jo Taylor, EY

Officers: Group Head of Democracy and Governance  
Interim Head of Finance  
Client Audit Manager, Shared Internal Audit Service  
Fraud Manager  
Democratic Services Officer (AG)

### **1 Apologies for Absence/Committee Membership**

There was a change of membership for this meeting; Councillor Bell replaced Councillor Turmaine and Councillor Pattinson replaced Councillor Stotesbury.

### **2 Disclosure of Interests (if any)**

There were no disclosures of interest.

### **3 Minutes**

The minutes of the meeting held on 12 March 2020 were submitted and agreed; to be signed on return to the Town Hall.

### **4 Freedom of Information Act Requests October 2019 to March 2020**

The committee received a report of the Group Head of Democracy and Governance which included details of the Freedom of Information requests for October 2019 to March 2020. The Group Head of Democracy and Governance introduced the report.

She advised that there had been nine further information requests compared to the previous year and explained why there had been a slippage in responses within the 20 working day period and with all cases not replied to. She explained a number of these had been in relation to Revenues and Benefits requests as the officer who had been responsible for answering requests and keeping their web

pages up to date had left the authority. This had been brought to the attention of the Head of Revenues and Benefits and to help address this, work had been outsourced to Capita and the council's website had been updated resulting in more requests being reported direct by this means.

Following a question from members about outstanding Revenue and Benefits requests, the Group Head of Democracy and Governance provided reassurance that these were being progressed and she would report back to the committee with the outcome. In response to a question about potential risks to the council in missing the 20 day deadline; she advised on the measures available to the Information Commissioners in such circumstances.

RESOLVED –

that the report be noted.

## 5 **SIAS Annual Assurance Statement and Internal Audit Annual Report**

The committee received a report of the Head of Assurance for the Shared Internal Audit Service, setting out the Annual Assurance Statement and Internal Audit Annual Report. The Client Audit Manager introduced the report.

He explained that the report summarised the opinions of all audits conducted during the year; and with two separate assurance opinions provided in relation to financial systems and non-financial systems. He went on to discuss key aspects of the report including the satisfactory opinions provided by the Shared Internal Audit Service and issues around key performance indicators with regard to planned projects and billable days. The Client Audit Manager also discussed the Audit Charter and results of the annual self-assessment against the Public Sector Internal Audit Standards.

In response to a question from members about outstanding recommendations with regard to the play safely audit, the Client Audit Manager explained that there had been an agreement on a set of actions in February 2020 but he was unable to get further updates from Management to give an indication of progress since then. Members asked that further information be available at the next meeting.

The Interim Head of Finance confirmed that no limitations had been put on the scope of internal audit work in 2019/20.

RESOLVED –

1. that the Annual Assurance Statement and Internal Audit Annual Report be noted.
2. that the results of the self-assessment required by the Public Sector Internal Audit Standards (PSIAS) and the Quality Assurance and Improvement Programme be noted.
3. that the SIAS Audit Charter be accepted.
4. that management assurance that the scope and resources for internal audit were not subject to inappropriate limitations in 2019/20 be noted.

## 6 **SIAS Board Annual Report 2019/20**

The committee received a report of the Head of Assurance for the Shared Internal Audit Service which provided information on the activities of the service. The Client Audit Manager introduced the report.

He explained that the report gave a global view of all of the partners and it summarised work going on in the service and related performance as a collective. He drew to member's attention key aspects of the report.

RESOLVED –

that the report be noted.

## 7 **Fraud Report**

The committee received a report of the Fraud Manager which provided the annual review of the Fraud Team's work. The Fraud Manager introduced the report.

He highlighted key points within his report including details of penalties, investigations and referrals, work with the Cabinet Office in relation to a fraud exercise and issues in relation to blue badge fraud and new types of fraud; including Covid-19 related cases and how families needing help had been identified using data-mining technologies.

In response to questions from members, the Fraud Manager:

- Advised that he was not aware of any incidents of money being intercepted before being received by the council due to the Covid-19 pandemic.
- Explained that robust purchase order and invoicing systems were in place within the council to prevent inappropriate payments.
- Advised that there was no evidence of cheques being paid in to the wrong accounts and he provided information on related emerging risks.
- Clarified that the civil penalties issued related predominantly to Council Tax matters.

Members thanked the Fraud Team for their versatility and the value they had provided to the Revenue and Benefits service over the months following the Covid-19 outbreak.

RESOLVED –

that the report be noted.

## 8 **Annual Governance Statement (AGS) 2019/20**

The committee received a report of the Interim Head of Finance asking the committee to agree the Annual Governance Statement. The Interim Head of Finance introduced the report.

He advised that the Annual Governance Statement was an annual requirement. There had been no significant issues in 2019/20 and there was nothing to monitor going forward. If agreed, the Annual Governance Statement would be included in the Statement of Accounts in November.

The Interim Head of Finance concluded by providing the background to the Local Code of Governance and he outlined the associated criteria that applied.

RESOLVED –

1. that the committee considers and approves the Annual Governance Statement (AGS) attached at Appendix 1, the 2019/20 AGS Action Plane attached at Appendix 2 and the Local Code of Governance attached Appendix 3.
2. that, subject to any changes required prior to their signing, the AGS be included in the Statement of Accounts for 2019/20.

**Treasury Management Annual Report 2019/20**

The committee received a report of the Interim Head of Finance which included the year-end review of the Treasury Management function. The Interim Head of Finance introduced the report.

He discussed the report cycle and advised that the report predominantly related to performance. He emphasised the importance of managing cash flow, in investing with institutions that were properly graded, and in investing securely; with a maximum investment of £5m permissible - and spread over a number of institutions to manage risk.

The Interim Head of Finance explained the fundamentals in administering investments and, in terms of yield, it had been hoped to gain £150k in 2019/20. However, £95k had been achieved owing to reduced and low interest rates in some organisations. He concluded by explaining borrowing requirements and advised that the treasury management policy had been met and effectively managed during the year.

In response to a question from members, the Interim Head of Finance confirmed the low level of interest rates and explained they were much reduced from ten years ago. Following a further question, he clarified that monies could not be invested in property as the cash was invested in the short term and would be required subsequently.

RESOLVED –

that the Committee notes the Annual Treasury Management Report.

**SIAS Internal Audit Progress Report**

The committee received a report of the Client Audit Manager setting out the progress on the outstanding recommendations from previous audits and amendments to the current Audit Plan. The Client Audit Manager introduced the report.

He discussed the progress made to date and on how the current year was developing. Due to the Covid-19 situation there had been no audits carried out for the first couple of months of the municipal year and some SIAS staff were re-deployed to provide assistance to Councils. This included a redeployment of one member of the team to the Watford and Three Rivers Revenue and Benefits service. The Client Audit Manager advised that two audits had now commenced.

The Client Audit Manager went on to discuss a small reduction in audits to be conducted in the year as agreed by the SIAS Board resulting from the pandemic; and as shown in the Audit Plan. He advised that updates would be provided at subsequent meetings.

He concluded by explaining how SIAS sought updates from officers on progress in respect of audit recommendations and advised of an error in Recommendation 3 to the report that should have read 'eight' and not 'five' as published.

Members thanked SIAS for their assistance in providing staff to the Revenue and Benefits service and there followed a question about the implementation of the destruction module to the Northgate system regarding the outstanding audit recommendation from the Benefits audit. The Client Audit Manager explained that the system upgrade had been delayed as a result of Covid-19 and was due to go live in September following further work by Northgate. He would provide an update to the Committee at the September meeting.

RESOLVED -

1. Note the Internal Audit Progress Report for the period to 17 July 2020.
2. Approve amendments to the Audit Plan as at 17 July 2020.
3. Agree the change to the implementation date for eight recommendations (paragraph 2.5) for the reasons set out in Appendix C.
4. Agree removal of the implemented audit recommendations (Appendix C).

## 11 **Committee Work Programme**

The committee received a report of the Interim Head of Finance outlining the Committee's work programme. The Interim Head of Finance introduced the report.

He explained how the work programme had been impacted by the Covid-19 situation and discussed the resulting changes. He advised how audit regulations had required a variation to the tabling of the yearly audited accounts.

RESOLVED –

that the Committee considers and makes necessary changes to its work programme.

## 12 **Audit progress update**

The committee received a report of Jo Taylor, Manager EY that provided an update on the status of their audit and considered the known and potential impacts of Covid-19 at the current stage of the audit. Ms Taylor introduced the report.

She advised that the interim audit had been completed and that dates had been put back due to the Covid-19 situation when there had been an interlude period. However, good progress was now being made with the main audit.

Ms Taylor discussed the review of the Croxley Business Park lease acquisition including associated risks, value for money and determination of the accounted value. She advised that receipts were continuing to be received from tenants and there had been no apparent significant impact on income streams resulting from the pandemic. Further work on this would be undertaken in the final audit in September and October.

Ms Taylor talked further about risks in respect of going concerns and the impact of Covid-19 on these aspects. She ended by discussing issues in relation to EY's audit fees.

In response to questions from members, Ms Taylor:

- Advised that the decision to acquire the Croxley Business Park lease had been sound albeit the Park was an area of interest due to the Covid-19 situation.
- Explained how the accounted value of the Business Park would be determined in consultation with the council.
- Clarified that as an auditor she was unable to advise on decisions relating to prospective property acquisitions by the council.

Members concluded by discussing the role of the council's financial advisors and how its property portfolio was shaped.

RESOLVED -

that the report be noted.

Chair  
Audit Committee

The meeting started at 7.00 p.m.  
and ended at 8.45 p.m.