

AUDIT COMMITTEE

24 November 2022

Present: Councillor M Hofman (Chair)
Councillor
Councillors K Clarke-Taylor and M Turmaine

Also present: Maria Grindley (EY) and Simon Luk (EY)

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

22 Apologies for Absence/Committee Membership

There was a change of membership for this meeting: Councillor A. Saffery replaced Councillor Devonish and Councillor Martins replaced Councillor Nembhard.

23 Disclosure of Interests (if any)

There were no disclosures of interest.

24 Minutes

The minutes of the meeting held on 15 September 2022 were submitted and signed.

25 Freedom of Information Act Requests April 2022 to September 2022

The committee received a report of the Group Head of Democracy and Governance, which included details of the Freedom of Information (FOI) requests for the period April 2022 to September 2022. The number of FOI requests received for the relevant period was 248, and 0 Environmental Information Regulation requests. The number of requests was significantly lower than in the previous half year. Of the 248 FOI requests received, 54 were not replied to within 20 working days, and two had yet to be replied to. All FOI requests were now on Firmstep, which had enabled easier reporting and data to be expressed graphically.

In response to members' questions, the Group Head of Democracy and Governance advised that there was no reason for the reduction in FOI requests. She explained that the 20 working day time frame was tight, and the current response rate within that period was 78%. The Information Commissions Office (ICO) had a recommended response rate of 90%. A change to 30 working days would enable a higher response rate.

The Chair recommended that the Group Head of Democracy and Governance write to Central Government to request a change to the current legislation.

RESOLVED –

1. that the report be noted.
2. that the Group Head of Democracy and Governance writes to Government to request a change in the legislation regarding the timeframe to reply to requests.

26

SIAS Update Report on Progress Against the 2022-23 Audit Plan

The HCC Head of Assurance, currently covering the Client Audit Manager role at Watford, introduced the report on the SIAS progress 2022-23 against the internal audit plan. There were no planned amendments to the internal audit plan to report. He directed the committee to section 2.6 of the report, which outlined the extension to implementation dates requested by the action owners. Section 2.10 of the report on performance management outlined delivery of the internal audit plan against KPI's, and it was noted that there were two audits in a particular service area where engagement was low, thus impacting on profiled delivery.

The HCC Head of Assurance also highlighted the limited assurance audit opinion on the Watford Museum audit, noting that a copy of the report had been circulated to Members of the committee. The report included the Watford Museum's position regarding re-accreditation with the Arts Council in 2023. Within the report, recommendations were made, which included the updating of key documentation or policies, additional clarity in relation to governance arrangements, consistency over the application of the agreed loans process and full migration of inventory records to the Modes database.

The HCC Head of Assurance updated the committee on the vacancies at SIAS and the recruitment campaign. He also explained that the audit capacity with BDO had been exhausted and that SIAS had engaged in a quotation process to

procure new delivery partners to ensure that the Audits within the plan would be completed, at least to a level that would support the provision of the annual assurance statement. Award Letters had been sent that day.

In response to a question from the Chair in relation to Watford Museum, the HCC Head of Assurance responded that the officers were in a better position to answer the committee's questions on actions to be implemented in response to the recommendations. With support from the Head of Finance, he suggested that the committee was well within its rights to seek assurance directly from officers and that the officers could be invited to the following Audit Committee to answer any questions.

RESOLVED –

1. that the Internal Audit Progress Report for the period to 11 November 2022 be noted.
2. that the change to the implementation date for six recommendations (paragraph 2.6) for the reasons set out in Appendix C be agreed.
3. that the removal of implemented audit recommendations set out in Appendix C be agreed.
4. that the implementation status be noted.
5. that the Watford Museum officers be invited to the audit committee in March

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External Auditor update

The committee received an update from the external auditor, Maria Grindley, on the outstanding audits' progress. The 19/20 audit was expected to be signed in December. The 20/21 audit was expected to be finalised by the end of 2022. There had been an excellent response to the request for information from officers and the quality that EY required.

Simon Luk provided the committee with an overview of the 20/21 audit; six work areas had been reviewed and completed, six work areas had been reviewed, four areas had not yet been reviewed, eleven work areas had not yet been started, and seven areas had been substantially completed. The Croxley Park lease was a more complex issue, as it required information from external parties. The audit was hoped to be completed by the end of the first quarter of 2023

In response to a question from the committee, Maria Grindley answered that the 19/20 audit had been completed aside from the complexities and would now be tested to provide assurance. In regards to the issue of senior officers' pay benchmarked and recruitment, the Head of Finance explained that local authorities were required to publish information about staff job titles whose annual remuneration was at least £50,000 and if over £150,000 or more the staff must be identified by name.

28 **Treasury Management Mid Term Review 2022/23**

The Head of Finance introduced the report on the Treasury Management Mid Term Review 2022/23, which had been prepared in compliance with *the Chartered Institute of Public Finance and Accountancy (CIPFA)* code of practice on Treasury Management. It was highlighted to the committee the two most prevalent risks were the interest rate risk and the refinancing risk. It was anticipated that there would be no additional borrowing in the financial year.

In response to questions from the committee, the Head of Finance explained that some of the reduction in the capital programme expenditure was due to the timing of the loan and land drawdowns for the joint ventures; however, although there was inflationary pressure on the cost of construction materials, it was anticipated that construction costs could still fall because of a demand reduction. It was also expected that interest rates would stabilise by 2024, and this would be when longer term borrowing would be undertaken. In regard to increased energy costs, the Head of Finance explained that the council's energy contract had pre-purchased energy and the energy cap was also currently in place. In April, the cap would not apply and energy costs would be reviewed.

RESOLVED –

That the committee noted the contents of the 2022/23 mid-year review of the Treasury Management function

29 **Statement of Accounts Update**

The Head of Finance introduced the report on the Statement of Accounts. The 19/20 accounts were now in consultation with EY and were expected to be signed in December 2022. The committee was made aware of an uncorrected misstatement regarding play equipment that had been incorrectly classified as an infrastructure asset instead of Vehicles, Plant and Equipment (VPE), which would be commented on in the letter of representation.

The status of the 20/21 audit had progressed well, with the adjustments in the working version to be reviewed by the end of December. The audit could be expected to be signed in February 2023 or at the committee in March.

A new audit firm was likely to be appointed for the 23/24 audit; this was not a reflection on the work that EY had performed for the council but was best practice to change auditors and the decision was made by the PSAA.

In response to a question from the Chair, the Head of Finance stated that there was no risk when a new auditor was appointed. That, in fact, it could bring a new perspective and a fresh approach to areas such as fixed asset valuations and pension valuations, which could be beneficial.

RESOVED –

That the report be noted.

30 **Draft Treasury Management Strategy 2023/24**

The Head of Finance introduced the report to the committee. The Treasury Management Strategy Statement (TMSS) for 2022/23 would be considered at the next Council meeting in January 2023, along with the budget. There had been a name change from policy to strategy. A paragraph which referred to negative interest rates had been removed. There were no changes proposed to the TMSS for 2023/24 other than the adoption of the new title to reflect current terminology.

RESOLVED –

That the report be noted.

Chair

The Meeting started at 7.05 pm
and finished at 7.50 pm