



AUDIT COMMITTEE

WEDNESDAY 8 FEBRUARY 2012 AT 7:30 PM

BULBOURNE ROOM, CIVIC CENTRE, HEMEL HEMPSTEAD

The Councillors listed below are requested to attend the above meeting, on the day and at the time and place stated, to consider the business set out in this agenda.

Collins
Doole
Douris (Chairman)
Elliot

Taylor
Townsend
W Wyatt-Lowe (Vice-Chairman)

(Substitute Members: Councillors Anderson, Harris and Marshall)

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1. MINUTES AND ACTIONS

To confirm the minutes of the meeting held on 8 December 2011 and consider the actions (see appendix A page 5)

2. APOLOGIES FOR ABSENCE

To receive any apologies for absence

3. DECLARATIONS OF INTEREST

To receive any declarations of interest

4. PUBLIC PARTICIPATION

An opportunity for members of the public to make statements and ask questions in accordance with the rules as to Public Participation.

5. AUDIT COMMITTEE FOLLOW-UP

Bennetts End Adventure Playground Theft.

Members will recall that at the last meeting of the Audit Committee on 8th December there was an action for me to request a meeting of the OSC Chairs and Vice-Chairs to discuss their Risk Registers. Whilst it is important that OSC should be fully aware of their Risk Registers, following a discussion between Cllr Tiley and me it was felt that in this particular case it would be more beneficial to meet with the Chief Executive, Daniel Zammit, to inform him of the interest that members had shown regarding this situation and to affirm that the appropriate actions had been taken both to minimize any effect of the break-in and to protect the council against the consequences of a similar situation occurring in the future.

I duly met with Daniel Zammit on 5th January 2012.

The break-in was effected through a number of locked and secured elements and various items were stolen, including a computer. Immediately this theft was known, a meeting was convened with all relevant operational managers and IT managers, both to review the nature and level of sensitivity of information which had been stored on the computer and to assess whether any data handling was contrary to policy and operational procedures. It was confirmed that some supporting personal information had been stored on the computer at a local level. The relevant contacts for those whose data was stored on the database were written to but it should be noted that there was very little response from them to this incident.

At the same time, the Assistant Director (Legal, Democratic & Regulatory) advised the Information Commissioner of the incident setting out the background and advising the security arrangements. The Police, investigating the incident, confirmed that the physical protection to the property was reasonable and adequate.

Within 48 hours of the theft, steps were also taken to ensure that all data is no longer kept locally at Adventure Playgrounds but is up-loaded to the central DBC server where it is stored securely. Access to it from a local point is via password protected encryption.

Internal Audit was requested to carry out an audit, the results of which were reported to the Audit Committee on 8th December 2011. This recognised that policy procedures had not been adhered to correctly and the Assistant Director wrote immediately to all staff of the data storage arrangements and the need for a high level of vigilance at all times including the requirement to correctly follow the policy procedures.

I believe that the policy procedures are now in place to minimise the risk of any such loss occurring in the future.

Terry Douris
Chairman

9. EXCLUSION OF THE PUBLIC

To consider passing a resolution in the following terms:

That, under s.100A (4) of the Local Government Act 1972 Schedule 12A Part 1 as amended by the Local Government (Access to Information) (Variation) Order 2006 the public be excluded during the item in Part II of the Agenda for this meeting, because it is likely, in view of the nature of the business to be transacted, that if members of the public were present during this item there would be disclosure to them of exempt information relating to Information relating to the financial or business affairs of any particular person (including the authority holding that information).

DACORUM BOROUGH COUNCIL

AUDIT COMMITTEE MINUTES

8 DECEMBER 2011

**Present:
Members:**

Councillors	Collins	Elliot
	Doole	Townsend
	Douris (Chairman)	W Wyatt-Lowe

Officers:	S Flynn	Assistant Director – Finance & Resources
	L Stone	Member Support Officer

Internal Audit:	P Lawson	Deloitte
	L Mills	Deloitte
	A Robinson	Deloitte
	B Welch	Deloitte

The meeting began at 7.30 pm

1. MINUTES AND ACTIONS

The Minutes of the meeting held on 26 September 2011 were agreed by the Members present and then signed by the Chairman subject to the following amendment:

On page 6, minute 10, Internal Audit Follow Up Recommendations Report, the first sentence of the fifth paragraph should have stated: 'M Clarkson told Members that there was a risk that the current process could result in the failure to pay employees the correct amount'.

The Committee discussed and agreed that for future Audit Committee agenda, there should be an item called 'Minutes and Actions'.

Actions from 26 September 2011:

- Page 6 of the minutes, 'Internal Audit to produce a report on areas of DBC that aren't being audited.'

B Welch said this would be a never ending list. They could, however, provide a list of all areas they had covered and would be covering. He explained that the areas to be investigated were based on the key risks to Dacorum Borough Council (DBC) and was tied in with the risk register. B Welch added that if an area had not been audited, it did not necessarily mean that it should be. Councillor Doole said that they had been informed at the last meeting by M Clarkson that it would be possible to provide a list of areas that would not be audited. Councillor Douris said that B Welch should discuss this with M Clarkson and inform the Committee.

- Page 8 of the minutes (Human Resources Recruitment, Internal Audit Final Report), 'Councillor Doole referred to pages 4 and 5 and asked if those areas had been assessed and were deemed to be ok. M Clarkson would get back to the Member.'

B Welch said the areas referred to should not have been included in the report as there were not in the scope of the audit.

Actions:

- B Welch to liaise with M Clarkson regarding the provision of a list of areas which would not be audited and inform the Committee.

2. APOLOGIES FOR ABSENCE

None.

3. DECLARATIONS OF INTEREST

None.

4. PUBLIC PARTICIPATION

None.

5. 2011/12 INTERNAL AUDIT PROGRESS REPORT

B Welch introduced the report and drew attention to the status of Audit work for 2011/12. He said that there were no priority 1 recommendations within the five final reports included in the agenda for this meeting.

Councillor Doole asked why the Health and Safety Follow Up assurance evaluation and testing were not applicable. B Welch explained that as it was a follow up report, it just reviewed how well the previous recommendations had been carried out.

Resolved:

- Report was noted.

Actions:

- None.

6. INTERNAL AUDIT FINAL REPORTS

6.a Payroll

B Welch presented the report and referred to the scope of the assignment. He said that the key difference to previous Audits was that the process was now outsourced to Aylesbury Vale District Council (AVDC). There were no issues on the design of the controls. There were three recommendations; two priority 2 and one priority 3.

Councillor Taylor asked if the first sentence within 1.1 of the report should state February 2011 rather than 2012. B Welch confirmed that it should have stated February 2011.

Councillor Taylor also asked if it was possible for it to state DBC on payslips and bank statements rather than AVDC as he had received a query from HMRC. S Flynn said AVDC processed payroll for other Councils, and they were all processed in that way. S Flynn said he would liaise with AVDC to look into whether this could be changed.

Councillor Taylor referred to the third recommendation, expenses claims and asked when the Management response referred to one officer checking and entering the claims if there was just one member of staff or one from a team of people. S Flynn said there was just one person, and this could be a risk if that person was absent, S Flynn would follow this up.

Councillor Doole referred to the first recommendation and asked if the Management response indicated that the work would be implemented by February, whether it would be included on the follow up report included in the agenda for this meeting. L Mills said the follow up report included in this agenda did not include recommendations from the five final reports in this agenda. It looked at the recommendations made in previous years. B Welch added that they give time for the recommendations to be carried out. Councillor Doole expressed concern that the impact would be lost if they waited for too long. Councillor Douris suggested that S Flynn liaise with Internal Audit in ensuring that are dealt with in the appropriate timescale and let the Committee know.

Councillor Elliot asked if Internal Audit had investigated whether the car allowance rate was within the HMRC guidelines. B Welch said they had not gone into that much detail. Councillor Douris said that the Joint Negotiating Committee had looked into it in detail.

Councillor Collins enquired about the Authorised Signatory List in the first recommendation. He asked when the nine cases with no evidence of review within the last 12 months were identified and why so long was given to rectify the problem. B Welch said they had been identified in October and given three months to correct it. He accepted that this seemed a long time. S Flynn added that the Financial Regulations required that each department had their own signatories. Work was currently underway in improving the procurement process and that an assessment would be carried out in February to ensure that the improvements had been made.

Councillor Doole referred to the Management response in the second recommendation. He said that at a previous Committee meeting, a request had been made that responses provide more information. He asked what actions Internal Audit were taking to improve this. B Welch said they tried to get the best response possible and that it was a fine line between a report being finalised and achieving a good response. He said they did not just accept the answer, but they did have to judge if it was worth further probing.

Resolved:

- Report was noted.

Actions:

- S Flynn to investigate whether DBC could appear on bank statements with regards to pay, rather than AVDC.

- S Flynn to follow up what procedures were in place if the payroll officer who checked and entered expenses claims was absent.
- S Flynn to liaise with Internal Audit in ensuring that the recommendations from final reports are included in follow up reports within an appropriate timescale and inform the Committee of the outcome.

6.b Budgetary Control

B Welch introduced the report and said there were no design recommendations, with two minor recommendations, one priority 1 and the other a priority 2.

Councillor W Wyatt-Lowe asked what an appropriate timescale was after the end of a period to hold a budget monitoring meeting. B Welch said it was impossible to put an exact time on it, but that formal monthly meetings were not the only method of monitoring.

Councillor Doole said there was a grammatical error in the first paragraph of the objectives and scope. As this was a standard sentence used, he said that it ought to be corrected.

Councillor Doole said that the Management response in the second recommendation was a very good example of the type of information which should be provided. Councillor Douris suggested using it as an example for others.

Resolved:

- Report was noted.

Actions:

- S Flynn to advise James Deane, GM (Financial Services), of the Committee's view on the response to the second recommendation (Annual reconciliations of approved budgets) and to request that this be publicised.

6.c Property

B Welch presented the Property final report which four recommendations, two of which were priority 2 and two were priority three. These were generally related to the Council's restructure.

Councillor Townsend asked if the previous audit recommendations had been followed up. B Welch said that the table on page 7 of the report showed a tick to say they had been.

Councillor Doole referred to the Management response on the first recommendation, Asset Management Plan updates. He asked if it was correct and if March 2012 was appropriate. S Flynn said it would resolve the issue of the Asset Management Plan being out of date. He and M Evans were revising a lot of the Asset Management Plans and although there was a lot to do, March 2012 was a reasonable timescale.

Councillor Doole asked if the Management response to the third recommendation, Reconciliation between AssetNet and previous Asset Database, were two answers to two issues of if they related to the same issue. B Welch said they were carrying out an

overall reconciliation to which the first part referred and the second part of the response was focused on the disposals areas.

With regard to the second recommendation, Estates Technical procedure notes, Councillor Douris asked if within the Management response when something was a 'prompt for me' if it was appropriate to be included in an Audit report if it was just for that officer. S Flynn said he would clarify this and inform the Committee.

Resolved:

- Report was noted.

Actions:

- S Flynn would get clarification on the Management response in the second recommendation (Estates Technical procedure notes).

6.d Corporate Governance

B Welch introduced the report. He said there were two recommendations, both priority 2 in relation to changes to the Council's constitution following the restructure and the promptness of Committee minutes being published on the website.

Councillor Douris thanked Internal Audit for including the dates of responses within the reports.

Resolved:

- Report was noted.

Actions:

- None.

6.e Risk Management

B Welch presented the report and said that improvements had been made each year, but that there was still more work to do. There were three priority 2 recommendations and three priority 3 recommendations.

Councillor Taylor referred to the second and third recommendations which related to uploading risk registers onto CorVu. He said there was disparity between the recommendations as to the dates. B Welch said the July 2011 date mentioned in the second recommendation should have been quoted in the third recommendation. Officers had originally said it was delayed until November 2011, but then said it would be carried out by October. Internal Audit would not know until the follow up report was done.

Councillor Collins asked if the implementation date for the sixth recommendation which stated 31st January 2011 should be 2012. This was confirmed and Councillor Collins suggested that more attention was given to detail.

Councillor Doole asked how Internal Audit assessed the effectiveness of the Council's Risk Management system as well as the compliance. He asked if project and strategic risk was investigated as well as operational risk. B Welch said that they looked at the Risk Management framework and the design processes. He said that this audit did not go into such depth as to whether the controls to mitigate risk were carried out although he thought that an audit to that level of detail had been carried out in the past and said that it could be done in a future audit. Councillor Douris asked whether the contract with the Internal Auditors included carrying out audits to that level of detail. S Flynn said that the contract specified that Audit work be carried out within the recognised national standards. B Welch said that they looked at the appropriate level of detail for the area.

Councillor Douris asked which of the six annual assurance statements omitted an audit which had been a priority 1 recommendation with reference to the observation in the fifth recommendation. B Welch said he did not know which annual assurance statement it was and that he would have expected the comments to state which one it was. Councillor Douris asked if B Welch thought that officers were presenting their responses in a way they thought the Internal Auditors would like to see. B Welch said determining this came with experience and that they always investigated responses rather than accepting. S Flynn said that assurance was needed that recommendations were carried out and that this needed strengthening.

Resolved:

- Report was noted.

Actions:

- S Flynn to table the need for completion of the audit cycle at the next Assistant Director Risk Management meeting.

6.f Bennetts End Adventure Playground Theft

A Robinson introduced the report and explained that it had been a fact finding exercise following the break in at Bennetts End Adventure Playground. There were six recommendations, 3 of which were priority 1, two were priority 2 and one was priority 3. Two of the priority 1 recommendations had already been implemented.

Councillor Douris asked if this was the final report as it stated that more work would be carried out. A Robinson said that the report had been brought to this Committee to show what work had already been done, there would be more work carried out as well as work on general Governance.

Councillor Tiley said it had been a very serious oversight and that the Council needed to face up to the lessons learnt. There had been sensitive information on the PC which had been stolen and it was a very dangerous situation if staff cut corners on security. Councillor Tiley said he would like the Audit Committee to

look at this and the follow up work, he added that it was important to be attentive to detail.

Councillor W Wyatt-Lowe said that as there had been no Risk register on this, no one would have thought of it. He added that there were likely to be a lot of other areas not covered by the Risk registers which should be. He suggested that everyone look at all situations where there should be a risk register. Councillor Tiley agreed and said the Overview and Scrutiny Committees would be well placed to look at their areas and see if there are Risk registers missing. Councillor Douris said that this was a very serious incident and that he would request that a meeting of the OSC Chairs and Vice-Chairs be held to discuss this.

Councillor Doole asked if ISO27001 accreditation for Information Security had been considered. A Robinson said that some other Councils had become accredited to ISO 27001, but only for IT services. It was a very big undertaking to get accreditation for the whole Council. He said that he could look at what it meant as part of the ongoing work.

Councillor Douris said that over a month seemed a long time for new locks to be purchased.

Resolved:

- Report was noted.

Actions

- Councillor Douris to request that a meeting of the OSC Chairs and Vice-Chairs be held to discuss Risk registers.

7. INTERNAL AUDIT FOLLOW UP RECOMMENDATIONS REPORT

L Mills summarised the report. She said that 65% of recommendations had been implemented fully with 86% being implemented fully or in part. A table in the report outlined the areas still outstanding. The timesheet approval recommendation was still outstanding and the Licensing recommendation had now been implemented.

The Committee agreed that C Thorpe should be invited to the next meeting with regards to the Timesheet approval recommendation.

Councillor Taylor referred to the Periodic Premises inspection recommendation asked if there were more premises than mentioned in the rationale. L Mills confirmed that to be the case.

Councillor Townsend referred to the previous Health and Safety priority 1 recommendations and asked why they were not mentioned in this report. L Mills said the original had been in 2009/10. A follow up report had been carried out as there had been so many recommendations. She thought they had all been

completed. Councillor Douris asked that this be checked and confirmation sent to the Committee.

The Committee discussed the recommendation relating to the Periodic Premises inspections and agreed that as the recommendations had been implemented, there was no need for R McGinlay to come to a future meeting. Councillor Douris said that it may be more appropriate for the Overview and Scrutiny Committee to look at this.

Resolved:

- Report was noted.

Actions:

- C Thorpe be invited to the next meeting with regards to the Timesheet approval recommendation.
- L Mills to check that the Health and Safety priority 1 recommendations had been fully implemented and to send confirmation to the Committee.
- L Stone to liaise with the OSC Chairs/Vice Chairs to see if the Period Premises Inspections should be looked into by the relevant OSC.

8. DRAFT COUNTER FRAUD WORKPLAN

P Lawson introduced the report highlighted the local and national context. He said that the National Fraud Authority had recently launched a strategy called Fighting Fraud. The key theme was that Local Authorities did a good job of investigating report but were not as good at preventing it.

S Flynn said that the Government were planning to take a new approach to fraud especially with regard to benefit fraud. A recent consultation had set out a number of options including keeping anti-fraud teams in house or setting up a Government agency. The Government had recently announced that counter fraud teams would stay in house for now, but that another option may be taken in the future.

Councillor Doole said that it was a substantive piece of work and asked how its success would be measured. P Lawson said that the work should be focused on outcomes and that page four onwards of the report set out the outcomes. A staff survey on fraud had been recently carried out and could be repeated at the end of the work.

Councillor Townsend referred to the 40 day work plan and asked what this represented as a percentage of the total number of days Internal Audit worked for DBC. B Welch said this was 10%.

Councillor W Wyatt-Lowe asked if there was current baseline information to measure improvement against. P Lawson said as well as the survey, they would also look at the current levels of referrals. He said that in the initial stages, the

number of cases investigated could increase, although this would not necessarily mean that the number of cases had increased, just the level of detection. S Flynn added that the 40 day plan included 10 days for reactive work with 30 for the substantial work. He said that the CIPFA red book was a statement of counter-fraud standards for Local Authorities, so it would be possible to measure where the Council currently was and in future against the red book.

Resolved:

- Report was noted.

Actions:

- None

9. WORK PROGRAMME

Resolved:

- Work Programme was noted.

Action:

- None.

The meeting ended at 9.25 pm

Audit Committee Work Programme 2011/12

MEETING DATE	DEADLINE TO MONITORING OFFICER	DEADLINE TO MEMBER SUPPORT	ITEMS:	WHO RESPONSIBLE
25 April 2012	11 April 2012	13 April 2012	Internal Audit Reports (TBC)	Deloitte PSIA
			Internal Audit Progress Report	Deloitte PSIA

AUDIT COMMITTEE: Work Programme 2012-13

MEETING DATE	DEADLINE TO MONITORING OFFICER	DEADLINE TO MEMBER SUPPORT	ITEMS:	WHO RESPONSIBLE
30 May 2012	16 May 2012	18 May 2012	Internal Audit Reports (TBC)	Deloitte
			Internal Audit Progress Report	Deloitte
18 June 2012	31 May 2012	6 June 2012	Internal Audit Reports (TBC)	Deloitte
			Internal Audit Progress Report	Deloitte
28 June 2012	14 June 2012	18 June 2012	Internal Audit Reports (TBC)	Deloitte
			Internal Audit Progress Report	Deloitte
16 July 2012	2 July 2012	4 July 2012	Internal Audit Reports (TBC)	Deloitte
			Internal Audit Progress Report	Deloitte
17 September	3 September	5 September	Internal Audit Reports (TBC)	Deloitte

2012	2012	2012	Internal Audit Progress Report	Deloitte
28 November 2012	14 November 2012	16 November 2012	Internal Audit Reports (TBC)	Deloitte
			Internal Audit Progress Report	Deloitte
12 December 2012	28 November 2012	30 November 2012	Internal Audit Reports (TBC)	Deloitte
			Internal Audit Progress Report	Deloitte
6 February 2013	23 January 2013	25 January 2013	Internal Audit Reports (TBC)	Deloitte
			Internal Audit Progress Report	Deloitte
24 April 2013	10 April 2013	12 April 2013	Internal Audit Reports (TBC)	Deloitte
			Internal Audit Progress Report	Deloitte