



**DACORUM BOROUGH COUNCIL**

**AUDIT COMMITTEE MINUTES**

**28 JUNE 2012**

**Present:**

**Members:**

Councillors	Collins	Taylor (Chairman)
	Doole	Townsend
	McKay	W Wyatt-Lowe

<b>Officers:</b>	R Baker	Regulatory & Financial Accounting Team Leader
	S Flynn	Assistant Director – Finance & Resources
	S Marshall	Corporate Director – Finance & Governance
	L Stone	Member Support Officer (Minutes)

**Internal Audit:** M Clarkson                      Deloitte

The meeting began at 7.30 pm

**42. APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillors Lloyd, McKay and Tiley. Councillor McKay substituted for Councillor Lloyd.

**43. DECLARATIONS OF INTEREST**

None.

**44. MINUTES AND ACTIONS**

The minutes of the meeting held on 30 May 2012 were agreed by the Members present and then signed by the Chairman.

Actions from 30 May 2011:

It was confirmed that a Project Initiation Document had been emailed to the Audit Committee.

**45. PUBLIC PARTICIPATION**

None.

**46. PRE-AUDIT STATEMENT OF ACCOUNTS**

S Marshall outlined the first section of the report on the Council's outturn position. She explained that the provisional outturn position for 2011/12 was considered by Cabinet in May and a number of further adjustments had been made, detailed in the report. The key change was that two additional contributions to Earmarked Reserves had been recommended by Cabinet to Full Council.

Councillor Townsend asked to what extent the Council had an overarching policy on Earmarked Reserves. S Marshall said that the Budget report agreed by Full Council in February had reviewed each existing and new Reserve. New Reserves were only created in line with the Council's Corporate Plan and Priorities. Other core documents in the process were the Medium Term Financial Plan, the five year Capital Programme and the budget setting process.

Councillor Collins referred to the sizeable slippage in the General Fund and asked if it was planned. S Marshall said it was not planned. There was a five year Capital Programme created with the Group Managers which was reviewed throughout the year. The General Fund had a history of underspending and S Flynn and James Deane had therefore carried out a lot of work with Group Managers to keep reviewing the programme and reduce the level of slippage. S Marshall explained that the concern was that the money was being held in short term deposits which would not be earning the best interest possible. Capital budgets were now being included in the Council's general ledger system which would provide better monitoring in being able to show the cost of impact of non-delivery. S Marshall added that some delays to projects could not be helped.

Councillor Doole said there could be a double impact of non-delivery in an increased cost of a project due to inflation as well as the loss of interest. S Marshall said this was possible.

Councillor Collins said there was a balance needed so as not to rush projects. S Marshall said that was why the reviews were carried out during the year. S Flynn added that there was previously one resource within the finance team for reviewing the Capital Programme; there was now an accountant for each area. He said there were two major projects which had contributed to a large proportion of the slippage in this year.

S Marshall then introduced the Statement of Accounts. She thanked S Flynn, J Deane and the finance team and gave particular praise to R Baker who had qualified as a CIPFA accountant just last year and had pulled together the accounts to schedule. Councillor Taylor endorsed the praise for the whole team and R Baker on behalf of the Committee.

S Marshall said the Statement of Accounts included the Comprehensive Income and Expenditure Statement which showed that the Council had taken on a £354 million debt. The main changes compared to previous years were set out in the report. It also included the Balance Sheet and certain statutory requirements: Movement in Reserves Statement; Cash Flows Statement; Housing Revenue Account and the Collection Fund.

S Marshall identified three minor amendments to the Statement of Accounts presented to the Committee:

1. Page 58, first paragraph, last sentence to read '....has been included in Cultural *and related services*....'
2. Page 75, the total stated at in the maturity analysis of long term borrowing by the Council table should state £346,739.
3. Page 81, first sentence within paragraph headed Further Information on Sculptures and Artwork not held on Balance Sheet should state 'The Council holds a further *seventeen* pieces of artwork....'

Councillor McKay asked why if Heritage assets had to be included for the first time this year did it compare to previous years. R Baker explained that they had to be valued from 1 April 2010, so the previous valuation had been added in.

Councillor Doole said that on page 5, fourth paragraph, it should state 'Each of the members on the *Cabinet* has a portfolio...' S Marshall said this would be changed.

Councillor Doole referred to page 13, Council Tax Collection. He asked for clarification that the £75 million collected was the total amount collected rather than the Council's share. S Marshall confirmed this to be the case. She said this was detailed elsewhere, but agreed and said that this paragraph would be made clearer by adding that the Council was the billing authority.

Councillor Townsend asked if there was any reference to the performance on Capital spending. S Marshall said this was included at Appendix D of the report. Councillor Townsend asked for any broad comments on the cash flow other than the Housing Revenue Account and Pensions. S Marshall said that the main movement was on the Housing Revenue Account Self Financing, Actuarial losses and the revaluation losses. She added that in the past, there had been more problems in impairment, but there been less impact this year as house prices had dropped less than in the previous few years.

Councillor Townsend asked if the process of revaluation had been improved since the previous criticism. S Marshall said that a few years ago, the Audit Commission had not approved of the methodology of the valuers. A new approach to valuations had since been adopted and the instructions to the valuers had been shared with the Audit Commission.

Councillor McKay asked if impairment led to any practical implications. S Marshall said it did not have an impact on Council Tax. It needed to be altered on the balance sheet so that if the Council needed to dispose of an asset, the value, which would be less, would be properly recognised.

Councillor W Wyatt-Lowe referred to the slippages and asked if the changes to the Capital items were listed. S Marshall said some slippage items had been re-profiled, nothing had been completely removed from the programme.

Councillor Townsend referred to the Pensions Reserve and it being negative. R Baker said there was also a line included in Long Term Creditors which offsets this. The long term creditor relates to the liability of the pensions scheme which was charged to the Income and Expenditure Statement. The negative Pensions Reserve was to remove the impact of this on Council Tax Payers.

Councillor Townsend enquired about the Long-term Creditors and what this included. R Baker said these were long-term leases for which the rental had been paid in advance, and gave Jarmans Park as an example.

**Resolved:**

The Audit Committee:

- a. Reviewed the financial outturn position for 2011/12;
- b. Approved the proposed movements on earmarked reserves;
- c. Reviewed and approved Capital Slippage to 2012/13;
- d. Reviewed the Statement of Accounts 2011/12;
- e. Approved the Annual Governance Statement included within the Statement of Accounts.

**Actions:**

None.

**47. DRAFT INTERNAL AUDIT OPERATIONAL PLAN 2012/13**

M Clarkson presented the draft plan which had been updated following discussions with the management team. Changes made included:

1. Inclusion of the Localisation of Council Tax
2. Updated scope of Procurement to include a focus on Housing Repairs
3. Updated scope of Regeneration, to focus on the Public Service Quarter and Jarman Park
4. S106 removed and replaced by Community Infrastructure Levy
5. Addition of Data Management Security with a focus on home working.

Councillor McKay asked if the ICT audits would include disaster recovery. M Clarkson said this was carried out in the previous year; the recommendations would be followed up. Councillor Taylor added that J Worts had provided an update to the Committee at the previous meeting and would be coming back to the September meeting.

Councillor Townsend said that an overarching statement of methodology was included in the report, but it did not state exactly how the list of 20 internal audit areas was agreed. He asked for further information on making this connection. M Clarkson said they had gone through an assurance mapping process. Various risks were cross referenced and mapped. They also took into consideration where the Council received assurance from elsewhere. He said that he could provide a paper on how this was achieved or hold a session with Members to outline the process. The Committee agreed that M Clarkson should send a paper on how the process was completed to the Audit Committee and substitutes. Members would then be able to go back to M Clarkson to discuss any queries or comments on a one to one basis.

Councillor Doole said that an area not included in the plan was the Customer Service Unit which was being market tested. He said it would not be easy to spec that project and he therefore hoped that a number of Internal Audits would be carried out in areas to check the Risk Assessments in the tendering process. M Clarkson said that an audit of procurement was included which would focus on the Housing Repairs Contract. S Marshall said this was a significant project which had a number of issues during the last tendering process. She added there was potential to include the Customer Service Unit in the Contract Management audit.

Councillor Doole also referred to ICT Service Delivery and said that he would like to see a measurement of its effectiveness. S Marshall said that Internal Audits looked at whether the controls were in place rather than their effectiveness. She said that a more appropriate forum to look at ICT effectiveness would be through the Finance and Resources Overview and Scrutiny Committee.

Councillor McKay expressed concern on the implementation of the building decant and flexible working. M Clarkson said the audit of the project management on the Public Service Quarter would cover some of those issues. Flexible working in terms of data security had also been included. S Flynn added that a pilot of flexible working would take place within the Revenues and Benefits service as they had a large amount of customer contact.

Councillor W Wyatt-Lowe expressed concern that there was no system in place of monitoring the availability of all the areas of the Council's website. M Clarkson said they would look at Key Performance Indicators and systems availability as part of the monitoring arrangements in the IT Service Delivery audit to check monitoring the service and what action was taken if delivery targets were not being met. M Clarkson suggested that any particular concerns were highlighted so they can be taken into consideration when scoping this audit.

Councillor Doole asked for clarification on what was meant by Continuous Auditing within Governance, Fraud and Other Assurance Methods. M Clarkson said this referred to downloading complete data sets and analysing for anomalies, error and for signs of fraud.

**Resolved:**

The Audit Committee approved the Internal Audit Plan subject to seeing the Assurance Mapping process and route to arrive at the plan.

**Actions:**

M Clarkson to send a paper on the Assurance Mapping carried out to the Audit Committee and substitutes. Members to contact M Clarkson with any queries or comments.

#### **48. WORK PROGRAMME**

**Resolved:**

The Work programme was agreed.

The meeting ended at 9.00 pm