



AUDIT COMMITTEE

WEDNESDAY 6 FEBRUARY 2013 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
Elliot
Lloyd

Taylor (Chairman)
Townsend (Vice-Chairman)
W Wyatt-Lowe

(Substitute Members: Councillors Anderson, Harris, Marshall and McKay)

For further information, please contact Lucy Stone on Tel: 01442 228224, Fax: 01442 228264, Email: lucy.stone@dacorum.gov.uk Information about the Council can be found on our website: www.dacorum.gov.uk

PART I

Item	Page
1. Apologies for Absence	2
2. Declarations of Interest	2
3. Minutes and Actions	2
4. Public Participation	2
For Items 5, 6 and 7, please refer to separate booklet	
5. Introduction from Ernst and Young – External Audit	
6. Annual Certification Report 11/12 – External Audit	
7. Internal Audit Progress Report	
8. Exclusion of the Public	3
Appendix A - Minutes of the Audit Committee meeting held on 12 December 2012	4
Appendix B - Work Programme 2012/13 and 2013/14	8

1. APOLOGIES FOR ABSENCE

To receive any apologies for absence

2. DECLARATIONS OF INTEREST

To receive any declarations of interest.

A member with a disclosable pecuniary interest or a prejudicial interest in a matter, who attends a meeting of the authority at which the matter is considered:

- (i) must disclose the interest at the start of the meeting or when the interest becomes apparent, and
- (ii) may not participate in any discussion or vote on the matter and must withdraw to the public seating area.

A member who discloses at a meeting a disclosable pecuniary interest which is not registered in the Members' Register of Interests or the subject of a pending notification, must notify the Monitoring Officer of the interest within 28 days of the disclosure.

Disclosable pecuniary interests, personal interests and prejudicial interest are defined in Part 2 of the Members' Code of Conduct.

3. MINUTES AND ACTIONS

To confirm the minutes of the meeting held on 12 December 2012 and consider the actions (Appendix A)

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.

8. 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:

DACORUM BOROUGH COUNCIL

AUDIT COMMITTEE MINUTES

12 DECEMBER 2012

Present:

Councillors: Doole Taylor (Chairman)
Lloyd W Wyatt-Lowe

Portfolio Holder for Finance and Resources, Councillor Tiley

Officers: S Flynn Assistant Director (Finance & Resources)
S Marshall Corporate Director (Finance & Governance)
L Stone Member Support Officer (Minutes)

Internal Audit: M Clarkson Deloitte
T Cooper Deloitte
S Knowles Deloitte

The meeting began at 7.30 pm

42. APOLOGIES FOR ABSENCE

There were apologies for absence from Councillors Collins, Elliot and Townsend.

43. DECLARATIONS OF INTEREST

None.

44. MINUTES AND ACTIONS

The minutes of the meeting held on 19 September 2012 were agreed by the Members present and then signed by the Chairman.

The following actions were discussed:

- a) A Member development session had been scheduled for 27 February 2013 on Information Security.
- b) A Member development session on Risk Registers and Risk Based Auditing would be scheduled later in 2013 as a briefing on the budget had been scheduled in early 2013.

45. PUBLIC PARTICIPATION

None.

46. EXTERNAL AUDIT/ERNST AND YOUNG

Councillor Taylor confirmed that the Council's external audit, previously the Audit Commission, had been outsourced to Ernst and Young. M Hodgson and S Bladen had transferred to Ernst and Young and would still be providing the Council's external audit services.

Councillor Taylor said that when S Marshall started in her post as Corporate Director for Finance, the Audit Commission had placed the Council as maximum risk. Since then, the Council was now at the lowest risk level. The external audit fees had therefore reduced from around £235k to £130k which included the certification of claims and returns.

Councillor Taylor thanked and congratulated S Marshall and her team on the success.

Councillor Tiley said the fees had been extortionate and objected to the Government not giving Councils the choice to appoint their own external auditors. He said that the Council had no influence on the tender for the contract at all.

S Marshall added that the Audit Commission had appointed Ernst and Young for a period of five years as the Council's external auditor.

47. INTERNAL AUDIT PROGRESS REPORT

M Clarkson went through the report and highlighted the five final reports completed since the last Audit Committee. With regard to the follow up of recommendations, he pointed out that the percentage of implemented or partly implemented recommendations was very good. There had been no priority 1 recommendations since the last Audit Committee. There would be one change to the work plan; as the Community Infrastructure Levy would not commence until 2014, that audit would be delayed.

S Knowles went through the appendices to the report. She highlighted the summaries of the five final reports and said that all the recommendations had been agreed by management. In the Housing Rents report there were also two priority 3 recommendations not mentioned and in the Housing and Council Tax Benefits report there were also three priority 3 recommendations.

Councillor Doole referred to the status of work making reference to 316 days in the plan compared to only 112 days delivered at this stage in the year. M Clarkson said there had been more days completed since the report was written and said that every audit was booked in and on target to be delivered on schedule.

Councillor Doole said that the summaries of final reports did not include the explanations of why the recommendations were made and a summary of what would be done and by when. Councillor Taylor said officers, Councillors and Deloitte had met to determine what would be included in the summary to allow the Committee to focus on the bigger picture. M Clarkson said that they would always provide more detail where they had concerns. S Flynn added that there was a cycle of governance as he saw all final reports and made sure that they had sufficient comments on the recommendations.

Councillor Tiley said that the priority 3 recommendations would not be included as the Committee should not be focused on those. S Knowles agreed and said that the summary would just indicate the number of priority 3 recommendations made.

Councillor W Wyatt-Lowe questioned whether an audit of the website should be included on the work plan. He said it was fundamental in dealing with the public and thought it wise to

monitor its content. M Clarkson said there were five contingency days within the work plan. S Marshall said she thought this had been carried out within the last two years. She said she would check and look at programming this in if not. S Flynn said that there was currently two projects underway, one looking at cleaning the website and another looking at engaging with the public via the website.

S Knowles said that there were no completely outstanding priority 1 recommendations and highlighted appendix three which listed the six which were partly implemented with a management update.

Councillor Taylor said that the follow up actions looked to be on track except for the PIN protection of mobile phones. S Knowles explained that report had been completed in November and that she had not had an update since then. Councillor Taylor asked for this to be checked. Councillor Doole questioned why previously it had been stated that all mobile phones would also be encrypted and now just referred to PIN protection.

Councillor Doole said that a number of the actions in the recommendations had slipped several times. He asked if there was a point that a partly implemented recommendation reverted to outstanding. M Clarkson said that if any progress had been made they were reported as partly implemented. He said that if Members were not happy with the progress, they should raise it with the relevant manager.

Councillor Doole said that the Health and Safety recommendation had slipped more than was satisfactory. S Marshall said she would follow this up and provide a management response to the Committee.

Resolved:

The Committee accepted the progress report.

Actions:

- S Marshall to check if an audit had been carried out of the website and email the Committee to let them know.
- S Marshall to follow up on the Health and Safety and Mobile phone partly implemented priority 1 recommendations and email the management response to the Committee.

48. INTERNAL AUDIT VAT PARTIAL EXEMPTION REVIEW FINAL REPORT

S Flynn explained that this report had been commissioned to Deloitte as it was an area which had not been reviewed for some time and as there were some major contracts coming up for the Council which would potentially have large tax implications.

T Cooper went through the report. He said that VAT was an important issue to the Council as it could recover VAT incurred on business activities including VAT exempt business activity. The review included a risk assessment of the way the Council carried out its Partial Exemption calculation as the VAT reclaimed on exempt activity could be no more than a de minimis limit of 5% of the total VAT expenditure in a financial year. If the Council went over the 5% threshold, the entire amount would need to be re-paid. It was not possible to make retrospective changes to the amount of VAT recovered on exempt activities, so it was important to get it right.

T Cooper explained that the review had found that the Council's calculation was doing what it was supposed to do. Allowing for a worst case scenario, there was still an amount of contingency. He concluded that the Council was very prudent and in a good position.

The first recommendation referred to bringing the calculation methodology up to date and making sure those carrying out the calculations were fully aware of large projects coming up which would have an impact. The second recommendation was to ensure that the VAT coding was carried out correctly. T Cooper said that although there would always be an element of human error given the number of transactions, it was recommended to ensure sufficient training had been carried out.

Councillor Taylor said that it was important that the steps recommended at the beginning of the report were carried out and thanked T Cooper for the report.

Resolved:

The Committee accepted the report.

Actions:

None.

49. WORK PROGRAMME

Resolved:

The Work programme was agreed subject to the following additions:

- a) An update on Information Security to be added to the February meeting.
- b) The Pay As You Go tax issues report to be added to the April meeting.
- c) The External Audit plan would be at either the April or May meeting.

The meeting ended at 8.25 pm

APPENDIX B

AUDIT COMMITTEE: Work Programme 2012-13

MEETING DATE	DEADLINE TO MONITORING OFFICER	DEADLINE TO MEMBER SUPPORT	ITEMS:	WHO RESPONSIBLE
24 April 2013	10 April 2013	12 April 2013	Internal Audit Reports (TBC)	Internal Audit
			Internal Audit Progress Report	Internal Audit
			Pay as You Go Tax Issues	

AUDIT COMMITTEE: Work Programme 2013-14

MEETING DATE	DEADLINE TO MONITORING OFFICER	DEADLINE TO MEMBER SUPPORT	ITEMS:	WHO RESPONSIBLE
29 May 2013	15 May 2013	17 May 2013	Internal Audit Reports (TBC)	Internal Audit
			Internal Audit Progress Report	Internal Audit
			External Audit Plan	External Audit
26 June 2013	17 June 2013	13 June 2013	Internal Audit Reports (TBC)	Internal Audit
			Internal Audit Progress Report	Internal Audit
19 September 2013	6 September 2013	10 September 2013	Internal Audit Reports (TBC)	Internal Audit
			Internal Audit Progress Report	Internal Audit

MEETING DATE	DEADLINE TO MONITORING OFFICER	DEADLINE TO MEMBER SUPPORT	ITEMS:	WHO RESPONSIBLE
18 December 2013	5 December 2013	9 December 2013	Internal Audit Reports (TBC)	Internal Audit
			Internal Audit Progress Report	Internal Audit
12 February 2014	3 February 2014	30 January 2014	Internal Audit Reports (TBC)	Internal Audit
			Internal Audit Progress Report	Internal Audit
30 April 2014	22 April 2014	16 April 2014	Internal Audit Reports (TBC)	Internal Audit
			Internal Audit Progress Report	Internal Audit

