



**DACORUM BOROUGH COUNCIL**

**AUDIT COMMITTEE MINUTES**

**29 MAY 2013**

**Present:**

Chairman:

<b>Councillors:</b>	Adshead Douris	Harris Taylor (Chairman)
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Portfolio Holder for Finance and Resources, Councillor Tiley

<b>Officers:</b>	J Deane S Marshall L Stone	Assistant Director (Finance & Resources) Corporate Director (Finance & Governance) Member Support Officer (Minutes)
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<b>Internal Audit:</b>	M Clarkson G Rubins	Deloitte BDO
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The meeting began at 7.30 pm

**21. VICE-CHAIRMAN**

It was proposed by Councillor Adshead and seconded by Councillor Harris and agreed that Councillor W Wyatt-Lowe be Vice-Chairman of the Audit Committee.

**22. APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillor Doole, Elliot and W Wyatt-Lowe.

**23. DECLARATIONS OF INTEREST**

Councillor Douris declared a personal interest as he was the Hertfordshire County Council Portfolio Holder for Waste Management which had a strategic role for Dacorum Borough Council.

**24. MINUTES AND ACTIONS**

The Part 1 and Part 2 minutes of the meeting held on 24 April 2013 were agreed by the Members present and then signed by the Chairman subject to the following amendment to the Part 1 minutes:

Within the Internal Audit Progress Report, sixth paragraph regarding the NNDR final report summary. It should state that printed signed copies of monthly reports should be *stored for one year plus the current year*.

**25. PUBLIC PARTICIPATION**

None.

**26. PROVISIONAL OUTTURN 2012/13**

S Marshall said this report was a pre-cursor to the financial statements which would be presented to the June meeting. This was an opportunity to review the figures and approve the draw down from reserves. The balances and reserves had been to Cabinet the previous evening who had recommended them to the Audit Committee for approval.

J Deane said this was a provisional report which was liable to change slightly on the final accounts. Section 2.2 of the report showed a summary of the controllable budget broken

Chairman:

down by Scrutiny area. There was an underspend of £1.161 million which included an additional £150k from the rent reviews and £150k win fall on business rates which officers could not have known about in advance. J Deane said that the underspend was better than last year, but that there was still work to be done with officers on budgeting.

J Deane then highlighted the balances and reserves and drew particular attention to the creation of a new reserve; a Pension Deficit Reserve. This was recommended in order to mitigate the potential costs to the Council arising from future reviews of the pension scheme.

J Deane explained that the Audit Committee had the ability to approve reserve movements. There was a proposal to draw-down £60k in 2013/14 from the On Street Car Parking reserve in order to fund a formal consultation on the introduction of a Controlled Parking Zone.

Councillor Harris asked why the Audit Committee needed to approve something within the remit of the reserve and if doing so this early would prevent other work from being carried out. S Marshall said that officers could not use money from a reserve without authority to bring it into the budget. Councillor Tiley added that it would not stop any other work, as there would still be sufficient funds in that reserve.

J Deane also drew attention to the Housing Revenue Account as outlined in the report. He said that the General Fund slippage was £973k which was a much better position than the previous year as additional controls had been put in place and this was the second revised budget of the year. The major variances were listed in the report.

Councillor Douris asked how there had been a business rates refund relating to Hemel Sports Centre when Sportspace was a charity. He also asked if this was a one off or a recurring saving. J Deane said the refund was from around 15 years ago and that it was a one off refund.

Councillor Tiley said that the £154k additional income from the rent reviews would also have a positive impact for 2013/14. S Marshall said that the Council had been strong in looking at rent reviews. She said there would be a limit to this as it would be necessary to strike a balance. Currently, there were very few void properties, but this could change if the rent increased too much.

Councillor Douris asked if there was a policy on where rents were set within the commercial market. S Marshall said an independent review had just been carried out on commercial assets which showed that the Council were achieving comparable figures. The rates of return were around 8%, it would be possible to achieve only 1% more. S Marshall added that although the assets were currently in a reasonable state; they would need investment at some point in the future. Councillor Tiley added that the Council also looked at the social value of the tenant and whether it was a solely commercial venture or with a benefit to the community such as a sports or youth club.

Councillor Taylor said that the Council currently had three void commercial properties, which when compared to the number of voids within the Marlowes was excellent.

Councillor Harris agreed that there was a limit as to how much the rent could be reviewed. He said that some shops were already struggling. Councillor Harris referred to Appendix A and said that on that report it looked as though most of the income came from Council Tax which was not the case. S Marshall said that the General Fund Service Expenditure was net, it did not show the income from fees and charges and grants.

**Resolved:**

The Audit Committee:

Chairman:

- a) Accept the provisional outturn position for the General Fund, Housing Revenue Account and Capital Programme;
- b) Accept the proposed transfers to and from earmarked reserves, to be included in the final outturn statements; and
- c) Approve a draw down from reserves of £60k in 2013/14 in order to undertake a formal consultation on the introduction of a Controlled Parking Zone in Apsley and Boxmoor, as detailed in the section 9 of the report.

**Actions:**

None.

## **27. DRAFT INTERNAL AUDIT ANNUAL REPORT 2012/13**

M Clarkson presented the report highlighting Deloitte's opinion which was that both financial and non-financial systems were fundamentally sound. The remainder of the report provided more detail of this. M Clarkson said that there were two reports still in progress: IT; and the website. He said that these audits were largely complete and that the result would not change the opinion.

Councillor Harris referred to the two audits given limited assurance and asked with regard to performance management if the targets were not checked. M Clarkson said the recommendation involved reviewing the performance indicators to ensure that they were relevant. J Deane added that previously, it had been impossible to tell if performance indicators had been reviewed or just carried forward. It was now not possible to roll a target forward, each one would need to be reviewed and approved.

With regard to virtual infrastructure, Councillor Harris asked about the 45 controls which did not comply with vendor's best practice and whether they included security issues. Councillor Taylor said a lot of work had been done to rectify the previous problems. Processes and policies had been put in place since the audit had been carried out. Councillor Douris said the recommendations needed to be considered in conjunction with the management response on page three of the report. M Clarkson said the recommendation was no longer outstanding; it had been completed.

Councillor Harris asked that timescales of each audit be added to this report next year. Councillor Taylor said there was also a detailed audit programme which included timescales.

Councillor Taylor, the Committee, Councillor Tiley and officers thanked M Clarkson and Deloitte for their work.

**Resolved:**

The Audit Committee accepted and noted the Draft Internal Audit Annual Report 2012/13.

**Actions:**

None.

## **28. INDICATIVE INTERNAL AUDIT PLAN**

G Rubins introduced the report which included the proposed internal audit plan for one year and the strategic plan for three years. He said that the plan had been developed by looking at the Council's risks and assurances and focusing on the gaps in assurances and the areas of high risk. G Rubins said that he had met with senior management since the last meeting and linked the plan to the Council's strategic risk register.

Chairman:

The report showed the operational plan which included a few changes since the last meeting. These included the Customer Services Unit project which would gear more on the transition to opening in line with the specification. Risk Management had also been added as strategic risk was currently seen as fairly generic. The remit of the waste management audit had also been amended to focus more on achieving value for money. The number of days for the housing maintenance audit had been reduced as an audit had been undertaken on this relatively recently. This audit, therefore, would mostly focus on following up from the previous recommendations. An audit on partnership working had been removed from the plan as it was not a priority for this year. A planning audit had been added as there were a lot of changes underway in this area. The work on capital development would focus on project management and would look at specific large projects.

G Rubins said that the plan also included the Internal Audit Charter which was a new requirement.

Councillor Harris asked whether there would be any testing on revenues and benefits in light of all the recent changes. Councillor Tiley said this was included in the plan.

Councillor Harris referred to the Community Infrastructure Levy (CIL) and questioned whether there should be testing on the decision making. He asked if the auditors only looked back or whether they helped in setting procedures up. G Rubins said they carried out a mix of work and that it was up to the Council how much time was spent on either. Councillor Douris said that it would be too early to look at CIL this year as there was still national negotiation on this and it was likely to change. S Marshall said the work on CIL had been delayed as the detail was still being clarified and had been delayed.

Councillor Tiley referred to the 40 days scheduled for financial systems and 20 days for the Customer Service Unit. He suggested that as the financial systems were running fairly well and that the Customer Service Unit was so crucial, that it may be better to spend 30 days on each. S Marshall said that the number of days on the Customer Service Unit had already been increased although added that there were some contingency days which could be used in this area. She added that 40 days for financial systems was due to the Internal Auditors being new to the Council and needing extra days on this area in the first year.

G Rubins said that the External Auditors were looking to change the way they worked and do more of the work themselves. He said that it may therefore be possible to use some of those days elsewhere. S Marshall said she would need to check if this change would have an impact to the Council.

Councillor Tiley questioned why the work on the Customer Service Unit was not scheduled until Quarter 3. G Rubins said work would start here very soon and it should state Quarters 2 and 3.

Councillor Taylor thanked G Rubins for the report.

**Resolved:**

The Audit Committee accepted and noted the indicative internal audit plan.

**Actions:**

None.

**29. WORK PROGRAMME**

**Resolved:**

That the following amendments be made:

Chairman:

- The meeting on 19 September 2013 would be brought forward one day to 18 September 2013. This would be subject to agreement at the next Full Council meeting;
- The Statement of Internal Control be added to the June meeting; and
- The Internal and External approval of the Audit Plan 2014/15 be added to the February meeting.

The meeting ended at 8.30 pm

Chairman: