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**DACORUM BOROUGH COUNCIL**

**AUDIT COMMITTEE MINUTES**

**17 December 2014**

**Present:**

<b>Councillors:</b>	Adshead	Douris
	Anderson	Harris
	Doole	Taylor (Chairman)

Councillor Tiley (Portfolio Holder for Finance and Resources)

<b>Officers:</b>	S Baker	Assistant Director Chief Executive's (MO)
	J Deane	Assistant Director (Finance & Resources)
	D Austin	Assistant Director (Neighbourhood Delivery)
	Ben Hosier	Group Manager: (Commissioning, Procurement and Compliance)

**Chairman**

C Thorpe  
J Doyle

Group Manager (Environmental Services)  
Group Manager - Democratic Services

**Others:**

S Blayden  
M Clarkson  
J Claydon

Earnst & Young LLP  
Mazars (Internal Audit)  
Mazars (Internal Audit)

The meeting began at 7.30 pm

## **21. APOLOGIES FOR ABSENCE**

Apologies for absence were submitted on behalf of Councillors, Elliot, W Wyatt-Lowe; councillor Douris for a late arrival; and Cllr Harden (Portfolio Holder for Residents & Community).

## **22. DECLARATIONS OF INTEREST**

None.

## **23. MINUTES**

The minutes of the meeting on 30 September 2014 were confirmed by the members present and signed by the Chair.

## **24. PUBLIC PARTICIPATION**

None.

## **25. AUDIT SCALE FEE LETTER**

The committee considered the revised final scale fee in respect of the 2013/14 Audit as presented by S Blayden who explained that the reason for the slight increase is in response to the Audit Commission applying a permanent variation of £900 to the base scale fee. This reflects the additional audit procedures required to gain sufficient audit assurance around business rate income and expenditure within the Collection Fund.

## **26. INTERNAL AUDIT -Internal Audit Progress Report**

Mark Clayden introduced this item on behalf of Mazars, who were submitting Six reports for consideration at this meeting. He suggested that the committee might note as completed four of the reports and focus on the two 'substantial / limited' recommendations.

As far as the Quarter 4 Audits were concerned there are three pieces of work underway around governance and discussions on going with the Assistant Director (Finance & Resources) to produce a plan.

**Chairman**

Fraud Awareness Workshop – as a result of recent changes to how fraud investigation is dealt with the Council may lose some of the current resources. Mazars will use the Workshop to look at alternative options for carrying out this important function.

The meeting moved on to examine any Outstanding Recommendations. The results are positive: with ITC Risk discussed at the last meeting and a programme of testing in place this matter can be considered resolved and simply to be monitored. The recommendation no longer needs to be considered outstanding.

All of the outstanding recommendations for 2012/13 are now addressed.

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The auditors singled Dacorum out for praise in this matter as this is among the highest in over 100 clients.

## **26. INTERNAL AUDIT REPORTS**

The meeting then went on to focus on two of the submitted Audit Reports.

### **CSU**

The first of these reports dealt with the outsourced contract for the Customer Service Centre.

After a short introduction of the report from Mazars the members of the committee raised some issues.

Cllr Doole was of the opinion that the effective and decisive audit had identified that the process of outsourcing was risky. He felt that the issues identified in the audit were not brought to Finance & Resources Overview and Scrutiny. The audit would suggest that the setup of the contract was not effective and that this has not been addressed.

The Group Manager: Procurement (BH) explained that the Council had entered into the contract and set out Key Performance Indicators (KPIs) relevant to the software that existed. However new software was quickly introduced to deal with unexpected issues that had arisen, which had produced data that the initial KPIs could not measure. New KPIs had to be developed and agreed with the provider that were relevant to the new data now being provided. This process is continuing to change and adapt the targets and KPIs to make them more relevant to the move towards 'channel shift'; and there is a need to come up with more robust and transparent KPIs that deal with the data being provided.

Cllr Harris was concerned that the controls being used had not picked up the developing failures and the knock-on effect on other channels, such as increased face-to-face dealings. He wanted to know how the face-to-face dealings were being controlled and monitored.

BH added responded that part of the aims of the outsourcing had been to encourage channel shift and to get away from face to face interactions. However Northgate do use emoticon software to measure the effectiveness of face-to-face interaction.

Cllr Douris asserted that the contract had not been robustly drafted. He wanted to know if the new KPIs would be introduced without a variation to the contract. He was anxious to maintain that the new KPIs are not a re-iteration but are an iteration - a change and not a re-statement.

BH advised that this process is 'iterative'. The original KPIs were agreed at the time of the contract initiation by senior officers. There may be a possibility that new KPIs could result in

further expense but they must be agreed by both parties. This is being driven by DBC but it needs to be agreed with the contractor.

Cllr Douris was concerned that this could cost the Council more money.

BH pointed out that this process was necessary; to improve the delivery of the service we require relevant KPI data to hold the contractor to account.

Cllr Anderson felt that a key question is where do we go from here? If the audit is repeated in 6 to 9 months' time will we have different results / conclusions?

BH felt the new processes would achieve better results as we are now in the position of being able to foresee what we need and can adapt the approach to suit.

The Assistant Director Chief Executive's (SB) expressed confidence in the new set of KPIs and the fact that they are being overseen by the Performance Board.

Cllr Doole admitted that this contract always entailed a good deal of risk and that it required high levels of monitoring, the audit has confirmed this. The lessons learned need to be applied to similar future endeavours.

We will need to be able to show the lessons learned when creating these contracts in the future.

Members the debated different means of logging back office failures to answer the phone when the CSU put calls through; including customer satisfaction surveys and questions added to the complaints procedures.

Resolved:

The committee noted the External Audit recommendations set out on pages 8-15 of the report and requested an update to the Feb 2015 meeting on progress addressing the issues raised by the Audit.

### **Trees and Woodlands service**

The committee moved on to the Internal Audit Report dealing with the Trees and Woodlands service.

The audit had been an additional piece of work at the behest of the service managers.

Cllr Harris began by asking what SLAs were currently in place. He was informed that there were no SLAs in place when the Group Manager (CT) took over but that these are currently under development. The audit was initiated to support their development and improve the service.

Cllr Doole then asked about records of training undertaken by the operatives and how this is monitored. He was reassured that adoption of the new 'Entropy' training recording procedures is underway and this will overcome what has been identified as a shortfall in the service.

Cllr Douris in his role as HCC Executive member with an interest in this service encouraged the managers to be firm and make a commitment to improve training records and not just 'endeavour to make the improvements' as it says in the report.

There was a general feeling among the members present that the SLAs referred to in Recommendation 4 should be produced by Feb 15 2015.

In addition the committee felt that Recommendation 6 required a bold response from the managers and a stated commitment to take the necessary steps to implement the recommendation: Both the Assistant Director (Neighbourhood Delivery) and the Group Manager (Environmental Services) agreed that developing the service contributed to

**Chairman**

requesting the audit; accepted the rewording; and made clear their commitment to the improvements.

Cllr W Wyatt-Lowe enquired why it would take six months to implement recommendation 6 – the linking of Ezytreev and Aggresso? The Group Manager pointed out that the task is a technical one that cannot be scheduled in any quicker by the ITC section.

Cllr Doole wanted to know what would be done in the meantime while the two systems cannot talk to one another, how we will be able to reconcile the processes/answers. CT informed him that it will have to be a manual reconciliation until the new systems are linked.

The representatives from Mazars commented that the improvements seem to be housekeeping issues that can be implemented and addressed and the Group Manager agreed that with effort we can quickly get away from the single point of failure.

The committee agreed that calling in an audit; involving so many of the staff; and giving a direction is a praiseworthy process and commended the Group Manager on his actions.

## **27 WORK PROGRAMME**

Cllr Doole confirmed that the committee would expect an update on progress with the CSU recommendations at the February 2015 meeting.

The meeting ended at 9.00 pm