

# Audit Agenda



**Wednesday 19 July 2017 at 7.30 pm**

**Conference Room 2 - The Forum**

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.

#### Membership

Councillor Brown  
Councillor Douris  
Councillor McLean

Councillor Taylor (Chair)  
Councillor Tindall  
Councillor W Wyatt-Lowe

#### Substitute Members:

Councillors G Adshead, Anderson, England, Link and Ransley

For further information, please contact Jim Doyle [jim.doyle@dacorum.gov.uk](mailto:jim.doyle@dacorum.gov.uk)

## **AGENDA**

- (a) Minutes Audit Committee - 28 June 2017 (Pages 2 - 9)

# Agenda Item 1a

## DACORUM BOROUGH COUNCIL

### AUDIT COMMITTEE MINUTES

28 JUNE 2017

**Present:**

**Councillors:** Taylor (Chairman) McLean  
Brown Tindall  
Douris W Wyatt-Lowe

Councillor Elliot, Portfolio Holder for Finance & Resources.

**Officers:** D Skinner Assistant Director (Finance & Resources)  
E Brooks Assistant Director (Housing)  
R Smyth Assistant Director (Performance & Projects)  
R Baker Group Manager – Financial Services  
M Rawdon Group Manager – People & Performance  
M Kelly Benefit Processing Team Leader  
Y Krishnan Assistant Accountant (Regulatory & Financial Accounting)  
T Vause Strategic Housing Team Leader (Property)  
M Anderson Corporate Support Team Leader (Democracy)  
J Doyle Group Manager - Democratic Services

**Others:** S Knowles Mazars  
M Towler Mazars  
S Ironmonger Grant Thornton  
A Conlan Grant Thornton

The meeting began at 7.30 pm

**1 APOLOGY FOR ABSENCE**

None.

**2. DECLARATIONS OF INTEREST**

There were no declarations of interest.

**3. MINUTES AND ACTIONS (Agenda Item 3)**

The minutes of the meeting held on 8 February 2017 were agreed by the members present and signed by the Chairman.

There were no outstanding actions to discuss.

**4. PUBLIC PARTICIPATION (Agenda Item 4)**

None.

## **5. STRATEGIC RISK REGISTER (Agenda Item 5)**

D Skinner, Assistant Director (Finance & Resources) (DS) introduced the item which provided detail on the Quarter 1 update of the Strategic Risk Register. He pointed out that the Risk Scores were maintained and all signed off by the appropriate Director. He then took questions on the report.

Councillor Tindall had a question relating to Risk F6, the long term viability of the HRA Business Plan, and the means being used to 'lobby' the government. E Brooks, Assistant Director (Housing) (EB) informed him that DBC are communicating our position to the Housing Policy makers through the LGA; organisations/bodies such as ARCH; and directly.

Councillor W Wyatt-Lowe then asked questions regarding retention of staff; and also the Council's use of Social Media.

On the issue of staff retention and gauging the level of contentment among staff, Councillor W Wyatt-Lowe wanted to know how we were collecting staff opinions and information. R Smyth, Assistant Director (Performance & Projects) (RS) advised that we are using Return to Work interviews and Exit interviews to gauge the level of contentment. These responses are being digitalised and reviewed to provide data that can be used to improve how staff are engaged and enabled.

On the matter of Social Media, Councillor W Wyatt-Lowe asked how we ensured that our posts on the various forms of social media are targeted adequately at the audience and communicate the message we desire. RS listed the means we use to communicate, e.g large screen in HH Town Centre, and the other information vehicles that allow us to interact and engage with residents and the public at large.

Councillor W Wyatt-Lowe responded that it is not the vehicle that concerns him but that the risk should measure if the council is getting its messages across. RS agreed that this is the aim, to measure the effectiveness of the message and the means of transmitting it.

### Outcome:

The content of the report was noted and the committee were provided with further assurance where required.

## **6. ANNUAL CERTIFICATION REPORT (Agenda Item 6)**

Councillor Elliot, Portfolio Holder for Finance & Resources introduced this item drawing attention to the miniscule difference between this final adjustment figure and the figures originally presented to the members in the earlier accounts.

Councillor Tindall, referred to the Housing Benefits Subsidy claim and put forward that by his estimation there was a 20% error rate in rent allowance overpayments! He felt the figures concentrated on overpayments and he would like to know how quickly we addressed underpayments, to those he described as 'generally on low incomes. M Kelly, Benefit Processing Team Leader informed the councillor that they have the response time down to about 22 days. Councillor Tindall pressed that a 20% error rate across the council could have a reputational risk. S Ironmonger, Grant Thornton (SI) advised the meeting that, as part of their audit of the 2016/17 accounts they will test 'claims and classifications'.

## **7. FINAL OUTTURN 2016/17 (Agenda Item 7)**

Councillor Elliot, Portfolio Holder for Finance & Resources introduced the item by saying this information was considered at the Cabinet in May and there have been no material changes to the outcome reported then.

DS then took the meeting through the report and listed the main variations and actions taken. He observed that this will probably be the first year when there was no significant underspend and that variance mainly related to additional income, mainly due to of garages rental income and an increase in income from parking and investment property. These increases have been built into the 18/19 budget where it is expected for these trends to continue.

He also highlighted the capital slippage in section 9 of the report and the £2.1m contribution to the Funding Equalisation reserve following the processing of Business Rates adjustments; and other accounting adjustments set out in section 10 of the report.

The matter of the increase in the level of Rent Arrears was alluded to and DS assured the committee that DBC are taking steps to address this or to write them off. EB added that rent arrears do tend to fluctuate during the year and that in the current economic climate pursuit and collection is becoming increasingly difficult.

Councillor Tindall moved on to the figures surrounding 'snagging' at the Forum. He asked if we have a perfectly functioning building now. DS informed him that the number of snagging items is reducing and is down to about 40 lines now.

Councillor Douris asked if the vacancy allowance had changed. DS replied that it had not and that, spread out across the whole of the employee budget, it is not a material concern.

The committee were anxious to know if there had been any impact on DBC waiting lists by efforts to take on some of those displaced as a result of the fire at Grenfell Tower. First EB informed them the current policy is to move away from the long term use of B&B accommodation to a policy of rent for temporary accommodation. He then went on to say that it would be unlikely we would look after anyone directly affected by the fire but we may feel the knock-on effect of Camden or other local authorities requesting us to take on some of those displaced from similar tower blocks.

DS was asked for an explanation of the allowance made for 'new burdens grants': they are time limited government funds allocated to local authorities to assist them to cope with new legislation e.g. Welfare Reform or Brownfield Land Register.

The committee then considered options for the two commercial properties at Aspen Court which have been unoccupied for some time. DS informed them that DBC are reviewing the rent levels and considering the option of seeking permission for a relaxing of the planning conditions to encourage occupancy.

### Resolved:

1. That the financial outturn position for 2016/17 is noted;
2. That the movements on earmarked reserves as set out in section 10 of the report to the committee be approved; and
3. That the capital slippage set out in Appendix C of the report, having been reviewed, is approved.

## **8. STATEMENT OF ACCOUNTS (ITEM 8)**

The report was introduced by Councillor Elliot, Portfolio Holder for Finance & Resources who said they reflected the discussions just held on the Outturn. They set out the annual expenditure, how it is used and funded and how it forms the basis of the Council's decisions. In particular he drew the committee's attention to the Comprehensive Income and Expenditure Statement in paragraph 5.3 of the report. DS then went through the main elements of the accounts.

Councillors Douris, Taylor and Tindall all noted and commended the pressure on the cemeteries accounts due to the allocation of funds to deal with hand/arm vibration. Councillor Taylor felt this is reassuring and made the committee aware of the discussions surrounding this important matter that took place at the recent meeting of the Joint Negotiating Committee. DS added that the aim is to try and ensure the equipment used across the council is consistent and used in a safe manner.

Councillor Tindall began a short discussion on insurance provision and dealing with future insurance claims due damage caused to property by 'tree roots'.

### Resolved:

1. That Members have reviewed the Statement of Accounts 2016/17 and raised any issues which provided them with the assurance that they need to approve the Statements on behalf of the Council; and
2. That the Annual Governance Statement included in the Accounts be approved.

## **9. EXTERNAL AUDIT PLAN AND PROGRESS REPORT FOR 2016/17 (ITEM 9)**

S Ironmonger of Grant Thornton (SI) introduced herself and her colleague, A Conlan (AC), and informed the committee that having come to the audit a little later than is usual; they have now had meetings with all of the stakeholders groups to agree an approach to this year's audit. AC added that these discussions had included the DBC Finance Teams and the previous auditors. AC continued by outlining the areas and scope of the audit; the rebuttable risks of fraud on the Revenue streams and the need to audit the controls involving manual application.

He then went on to list areas such as Employee Remuneration; Manual journals; the Pension scheme; Property, Place and equipment; the Comprehensive Income and Expenditure Statement, including changes made to the statement and restating prior years; on which the audit may focus.

They then outlined their progress to date, having tested months 1-10, and so far finding nothing material to report.

They ended by saying they would be looking at the arrangements for governing the process of Capital Accounting.

### Outcome:

The report was noted.

## **10. PLANNED AUDIT FEE FOR 2017/18 (ITEM 10)**

The committee considered the recommendation of Public Sector Audit Appointments Ltd regarding the Audit to be carried out by Grant Thornton. The Scale Fee for 17/18 covers the audit of the financial statements; the economy, efficiency and effectiveness of the use DBC resources; and a Value for Money assessment. The fee for the service is included in the letter sent to the authority, included in the Agenda for the meeting.

Resolved:

That the Planned Audit Fee for 2017/18 is noted and accepted.

## **11. INTERNAL AUDIT CHARTER (ITEM 11)**

M Towler, Mazars (MT) informed the committee that Internal Audit intended to present a revised version of the Charter on an annual basis. He drew attention to the diagram illustrating the three lines of defence for DBC Management, covering internal controls, how they would be monitored and measured; and how Internal Audit fits into the picture.

Councillor WWL requested that each year, the up-to-date version be presented with 'track changes' highlighted: M Towler agreed this should be possible.

## **12. INTERNAL AUDIT FINAL REPORT (ITEM 12)**

The Internal Auditors from Mazars introduced the item and M Towler took the committee through the covering report.

Taking the relevant matters into consideration, Internal Audit provided 'substantial assurance' that the systems of internal control in place at DBC for the year ended 31 March 2017 accords with proper practice. There were some significant control issues documented in the report that are currently under discussion with management and are in the process of being addressed and detailed in individual reports.

The Auditors referred the committee to the summary of internal audit work contained in the report which highlighted the Council's generally positive response to audit recommendations and its keenness to implement them. There has been little resistance to the advice and a willingness to accommodate audit recommendations.

The members of the committee were pleased to see that the improvements in internal controls have continued at a good level from last year.

Resolved:

That the report and the opinion of Internal Audit be noted.

## **13. INTERNAL AUDIT PROGRESS REPORT (ITEM 13a)**

The Internal Auditors from Mazars introduced the item and M Towler took the committee through the covering report. Audit fieldwork for 2017/18 is progressing well and audit coverage has been in line with the Audit Plan.

S Knowles then progressed to the individual service reports in the agenda (Item 13). She reported that eight audits had been carried out, the final reports were included and she was happy to respond to any issues they raised with the committee. Seven of the reports

concluded the 2016/17 audit process and the final report on Housing Rents is part of the 2017/18 programme.

She concluded her introduction saying the presentation of these reports complete the work in the internal audit annual plan for 2016/17.

### **Housing Benefit and Council Tax Support**

(Evaluation assurance: **Full**. Testing assurance: **Substantial**);

Councillor Douris asked if the procedure for the write off of the relevant debts had been developed and carried out and was assured that it had.

### **Payroll and Pensions Administration**

(Evaluation assurance: **Full**. Testing assurance: **Full**);

Noted.

### **Human Resources**

(Evaluation assurance: **Full**. Testing assurance: **Substantial**)

Councillor Tindall sought and was given assurance that the Right to work in the UK procedure also applied to Temporary staff. He stressed the importance of Manager's certifying the documents provided as evidence of the right to work in the UK. M Rawdon, Group Manager – People & Performance (MR) informed the committee that both the managers and HR checklists have been reviewed to stress the importance of this requirement. The training Recruitment and Selection training manual for Managers has also been reviewed to stress the importance of this element. Councillor Tindall looked forward to there being no reoccurrence of this next year due to the reputational damage this could cause the Council. Councillor Douris echoed these sentiments as the penalties for offending employers are now quite draconian.

### **Housing Allocations**

(Evaluation assurance: **Full**. Testing assurance: **Substantial**)

The issue of a spreadsheet crash which could result in housing allocations data being lost was identified. The committee were assured that this had only happened once and the back-up procedure now mitigates against any future recurrence.

### **Budgetary Control**

(Evaluation assurance: **Full**. Testing assurance: **Full**)

Noted

### **Core Financial Systems**

(Evaluation assurance: **Full**. Testing assurance: **Substantial**)

Councillor Douris requested a stronger response regarding the linking of the supporting journals and supporting evidence to the central control sheet on a monthly basis and was informed that this is already the practice.

### **Benefits Realisation**

(Evaluation assurance: **Full**. Testing assurance: **Substantial**)

Councillor Douris referred to the management response to recommendation 1 which suggested that the conclusions will be included in the 2018/19 budget setting process, which

he suggested would be a tight timeline since the deadline is Feb 18. .He was assured that work is ongoing and the target is achievable.

DS summed up by thanking all of those officers who attended the meeting for their commitment to maintaining the levels of assurance and control demanded by the internal audit scrutiny. He observed that members sometimes expressed concern at the lack of negative issues highlighted and improvements demanded but felt this is evidence of the hard work and commitment from officers to provide a good level of service.

Resolved:

That the Internal Audit progress report be noted and the internal audit opinion on the following services be acknowledged:

- Housing Benefit and Council Tax Support;
- Payroll and Pensions Administration
- Human Resources
- Housing Allocations
- Budgetary Control
- Core Financial Systems
- Benefits Realisation

#### **14. FINANCIAL REGULATIONS REVIEW (ITEM 9)**

Councillor Elliot, Portfolio Holder for Finance & Resources introduced the document and sought feedback on recommendations to Cabinet on a review of the Finance Regulations.

Councillor W Wyatt-Lowe again suggested that any alterations to the Financial Regulations documents should be highlighted using some form of 'track changes' in order to make it easier for the members to identify the differences.

He then sought clarification of the term 'embedded cards' and was informed they are card Nos specific to one retailer/vender which they can use and the transaction is then charged at a reduced rate (i.e. a rebate from the bank).

Councillor Douris, sought and was given confirmation that the invoices referred to on page 229 of the report are 'sales' invoices.

The members then identified some minor changes in the wording in the text used in the document which officers agreed to make consistent.

Resolved:

That the report is noted and the comments incorporated when the Regulations are presented to Cabinet.

#### **15 AUDIT COMMITTEE WORK PROGRAMME (ITEM 15)**

The committee considered the work programme for 2017/18.

Resolved:



That the work programme be noted with the following changes:

September 2017 meeting

- Statement of Accounts 2016/17
- Audit Funding

February 2018 meeting

- Benefits – Review of Risk Based Verification (RBV).

The meeting ended at 21.10 pm