

MINUTES

AUDIT

31 MAY 2018

Present:

Members:

Councillors: Birnie
Douris
Silwal
Taylor (Chair)
Tindall

Officers:

N Howcutt Assistant Director – Finance & Resources
F Jump Group Manager – Financial Services
C Taylor Group Manager – Strategic Planning and
Regeneration
J Doyle Group Manager - Democratic Services

Also Attendance:

M Towler Mazars
The meeting began at 7.30 pm

48 APOLOGIES FOR ABSENCE

Apologies for absence were submitted on behalf of Councillor B McLean. In addition apologies were submitted on behalf of S Ironmonger, A Conlan of Grant Thornton; S Knowles of Mazars; J Deane, DBC Strategic Director – Finance and Operations; and Councillor Elliot, Portfolio Holder for Finance & Resources

49 DECLARATIONS OF INTEREST

None

50 MINUTES AND ACTIONS

The minutes of the meeting held on 28 March 2018 were agreed by the members present and signed by the Chairman.

51 PUBLIC PARTICIPATION

None

52 QUARTER 4 - STRATEGIC RISK REGISTER

N Howcutt (NH), Assistant Director, Finance & Resources introduced the item saying there were a few alterations to the Register and reference to these can be found in the body of the accompanying report. He drew particular attention to Risk F6, which has reduced due to government confirmation of new rental arrangements.

Cllr Douris sought and was given clarification that CPI is higher than RPI.

Cllr Tindall asked if there are any plans to 'redesign' the register to make it more accessible. NH said there are no plans to do so and advised members that the 'sign off/ complete' box should be the place look for changes. F Jump (FJ), Group Manager: Financial Services added that changes will be highlighted in the body of the report.

Regarding Risk C5, Cllr Douris asked if this meant that technically we are not fully compliant on GDPR. NH assured the committee that, as of 25/0518, DBC has done all possible to be GDPR compliant in all areas. To ensure that this is the case a proposed audit of compliance will be undertaken in the very near future.

Cllr Douris then raised Risk C7 and the issue of checking that new staff have read and acknowledged the council's compliance procedures. NH assured him that all new employees are required to sign-off on a list of policies and procedures and that they are prompted to complete the training as part of the probation period.

Cllr Birnie returned to Risk C6. The committee considered the difficulties in retaining staff in some areas (e.g. building Control) and competing with the private sector and other local authorities. This led on to a discussion on 'Partnership' working; risks posed in the process of housing provision; and models such as DEVCO. NH advised that the council will consider models that include including different types of tenure. The various options will form part of the report to July Cabinet and will show the work done on the different models.

Cllr Birnie moved on to the risks surrounding 'infrastructure funding' and a possible lack of control over the allocation of CIL funds. Chris Taylor (CT), Group Manager: Strategic Planning and Regeneration explained the process for allocating CIL funds and that control of this process lies with DBC. The CIL Strategy has been agreed by Council, including the intention to ring fence CIL funding for use on major projects. The DBC CIL Board would decide the funding allocations according to the agreed policy - 70% goes to developments in the unparished area.

Cllr Taylor then used the issue of GDPR training for members to highlight the need for mandatory training on some issues. Cllr Tindal suggested that members be made aware that individual councillors could be held liable if a decision they are involved with costs the Council (e.g. in a fine) and they have not attended the required training.

M Towler, Mazars explained that from an audit perspective, there is an absolute requirement for the authority to show it is doing all it can to meet compliance. The debate centres around how much effort is being made by the authority to ensure compliance.

Cllr Taylor returned to the issue of staff retention and efforts being made to counteract the attraction of the private sector and other boroughs being available. NH added that the issue is being discussed as part of the county partnership arrangements. NH also drew attention to the recent introduction of staff retention features such as the ability to buy additional leave, the review staff terms and conditions; etc, which encourage non-financial encouragements such as a good work/life balance. Cllr Tindall warned that continued running with a number of

vacancies causes extra pressure and the workload becomes oppressive – hopefully the new measures will reduce staff vacancies and their negative effect.

53 PROVISIONAL OUTTURN

Resolved:

1. That Audit Committee note the carry forward of unspent reserve funded budgets from 2017/18 to 2018/19 (see Appendix D of the report to Cabinet, £315k slippage into 2018/19)
2. Note the use of the Housing Revenue Account surplus to fund an increased Revenue Contribution to Capital

NH introduced the item with a headline overview: thanked Fiona Jump and her team and drew attention to the recommendations agreed by Cabinet and designed to address slippage around the reserved funds area.

He then listed the main elements slippage in the capital budget and added that there will be a Q1 review of the capital spend to identify areas for improvement.

Cllr Tindall expressed his concerns that slippage indicates work that has been put off (sometimes for good reason) but it can result in increased costs further down the line. He said the result of taking money from planned expenditure now, could lead to a delay that causes greater expense in the future. NH acknowledged the councillor's point though he recognises that in the past it was not possible to do all the things in the planned expenditure. Cllr Tindall gave para 4.8 as his example – planned maintenance put off now will lead to greater costs down the line. NH explained that in this case much of these works covered responsive repairs and we can afford to let them slip a little as good performance had enabled us to be somewhat ahead of the game. Cllr Tindall pressed: that para 4.8 indicates that DBC is experiencing pressure to carry out disabled facilities adaptations. NH returned that some of the work is reactive, carried out to cover recent unexpected instances. Cllr Tindall accepted this and suggested DBC try to come to an arrangement with HCC and the NHS to better plan the necessary works.

Cllr Birnie pointed out an apparent contradiction between Para 5.1 and 5.2 regarding (Building Control and Development Management. CT responded that these are two elements of the same issue – applicants can go to other organisations and we are unable to recruit so people are going elsewhere. Employing temporary staff costs significant amounts and the number of schemes is going down. In effect there is an increase in expenditure and a decrease in income.

Regarding Para 8.8, Cllr Birnie questioned the £90k spent on feasibility studies as Government Policy militates against new-build. NH responded that these studies are looking for ways to find/fund find sites where we can build and improve building numbers within government guidelines.

The committee then considered money reallocated for recruitment of a customer relationship manager/developer which is being done internally rather than by an external consultant. Cllr Douris expressed concerns regarding this as employing a

temporary developer has proved difficult and we are bringing it in house where he doubts we have the resource and abilities.

Action - NH agreed to come back to the committee with a response on why this direction is being considered.

54 **EXTERNAL AUDIT GRANT THORNTON - INTERIM AUDIT UPDATE.**

In the absence of the External auditors, NH introduced the item, informing the committee that the external auditors have not expressed any concerns with the Audit to date; their opinion that Internal Audit is doing the job it is supposed to and contributing to maintaining effective controls in the council's operations; and that the Interim Audit commences on Monday 4 June

55 **INTERNAL AUDIT PROGRESS REPORT**

The committee considered the report from the Internal Auditor, Mazars - MT updating them that 13 of the 18 audits have been carried out; responded to by the managers; and can be considered completed. There is still one audit to be completed. Of the five not completed this is because the deadline for completion has not been reached yet. There are no issues on the Management responses and follow ups and the one outstanding, 'partially implemented' audit will be actioned soon.

56 **INTERNAL AUDIT - SERVICE REPORTS 2017/18**

The committee first considered the Mazars report on the audit of **Budgetary Control** (Evaluation assurance: **Full**. Testing assurance: **Full**); with no recommendations raised.

The committee next considered the Mazars report on the audit of **Benefits and Savings Realisation.** (Evaluation assurance: **Full**. Testing assurance: **Full**) again with no recommendations raised.

The committee finally considered the Mazars report on the audit of **Community Infrastructure Levy.**

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

The audit raised two Priority 2 recommendations in respect of Recovery of overdue CIL payments and the Performance Monitoring Framework.

Cllr Tindall noted the Management response on page 96 that due to the difficulty recruiting to this area, resources are stretched. CT advised that this service is currently dependent on an officer driving around to identify sites that may be due for collection. She added that there is a significant issue identifying the CIL liable person. In response to Cllr Birnie CT explained the difficulties identifying the start date of the development; developers change and the CIL calculation can radically significantly change the service has taken on board the advice to add a question to the application form to try and identify this person and this will improve the effectiveness. However DBC do not always know when work has commenced.

Cllr Tindall clarified that the issue here is not public avoiding payment but the need to develop processes for collection and make them more efficient.

CT went on to discuss the 'assumption of liability notice' and pointed out that while the developer is liable, this liability can pass down the developer chain and can even end up passed on to the purchaser. She requested that all officers and members alike should see this as their opportunity to be CIL inspectors and report when new developments begin work. CT admitted that they are developing more robust systems to identify the appropriate debtor and to pursue the debt. FJ added that all overdue debts would be dealt using our usual debt chasing procedures including a debt repayment plan. CT informed the committee that they now having regular meetings to identify the debtor and ensure CIL is collected.

Action – It was suggested that an update report be submitted in the future setting out the implementation of the audit recommendations and the results of the adoption of new practises.

Cllr Douris then returned to the issue of how the collected CIL monies are allocated. He would like to see shopping list of 'shovel ready' items using the CIL. NH advised we have a CIL strategy that has identifies key areas for its use (e.g 50% allocated to east Hemel Hempstead and the collection of a 'critical mass' amount which will amount to a meaningful sum to be used to 'pump-prime' large projects that will have a greater impact. The CIL Board will recommend the allocations to Cabinet who will approve its final allocations.

On a more general note Cllr Douris returned to the first two audit reports giving 'Full / Full assessments. These make him nervous that DBC are drawing audit scope and conditions too tightly and we are getting easy answers. A Conlon agreed that the auditors' natural reaction to full/full is suspicion and they then look at the adequacy of the processes being examined. NH was clear that he has told the auditors to be as wide ranging as possible to ensure his confidence in the robustness of the process. FJ also put forward that her experience would suggest that controls at DBC are effective.

Resolved:

That the reports and the opinions/recommendations of Internal Audit are noted.

57 AUDIT COMMITTEE ANNUAL WORK PLAN

The committee considered the conclusion of the work programme for 2017/18 and the proposed work programme for 2018/19.

The members were advised that the 25 July meeting would be for 'signing off' the Accounts and would include the Head of Internal Audit opinion.

Resolved:

That the work programme for 2018/19 be agreed.

The Meeting ended at 9.04 pm