

MINUTES

AUDIT

25 JULY 2018

Present:

Councillors: Birnie
Douris
McLean
Silwal
Taylor (Chair)
Tindall

Officers: J Deane Corporate Director (Finance and Operations)
N Howcutt Assistant Director (Finance & Resources)
F Jump Group Manager (Financial Services)
S Desor Interim Financial Accountant
L Warden Group Manager (Tenants & Leaseholders)
J Doyle Group Manager (Democratic Services)

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

The meeting began at 7.30pm

57 APOLOGIES FOR ABSENCE

There were no apologies for absence.

58 DECLARATIONS OF INTEREST

There were no declarations of interest.

59 MINUTES AND ACTIONS

The minutes of the meeting held on 31 May 2018 were agreed by the members present and signed by the Chairman.

60 PUBLIC PARTICIPATION

None

61 STRATEGIC RISK REGISTER

Deferred to the September meeting.

62 DACORUM BOROUGH COUNCIL ANNUAL ACCOUNTS

DBC STATEMENT OF ACCOUNTS 2017/18 and AUDIT OF DBC ANNUAL ACCOUNTS – GRANT THORNTON (Agenda Item 6b and 6a)

Resolved:

1. That the Audit Committee
 - a) notes the final financial outturn for 2017/18;
 - b) Approves the additional movements on earmarked reserves from the provisional outturn as set out at 6.4 in the report to the committee;
 - c) acknowledges the capital slippage as set out in appendix C of the report;
 - d) Completes its review of the Statement of Accounts 2017/18 and any matters on which assurance is sought in order to approve the Statements on behalf of the Council;
 - e) subject to consideration of the External Auditor's Audit Findings Report, approve the letter of representation as attached at Appendix F of the report to the committee in their capacity of those charged with Governance; and
 - f) subject to (a) above, approve the Statement of Accounts for 2017/18.

2. Acknowledge that, having substantially completed their audit of DBC financial statements and subject to the outstanding queries and items being resolved, Grant Thornton have proposed an unqualified audit opinion, as detailed in Appendix D of their report to the Audit Committee.

Advice

The Committee agreed that DBC officers should proceed with an outline of the accounts and then the Auditors would present their opinion. F Jump (FJ), Group Manager: Financial Services first introduced the reports for consideration, including the documents circulated just prior to the meeting.

J Deane (JD), Strategic Director – Finance and Operations was pleased to report a good deal of satisfaction with the presentation of a timely, valid and complete set of accounts this year. This year, the production of the Statement of Accounts had to be delivered on a compressed timetable (submitted by 31 May) despite significant changes in finance personnel during the year; four had left and only one of the replacements was in post ahead of three others joining later. He praised F Jump and the others involved for the efforts made to ensure the accounts were completed on time and in the desired format. The Chair and the remainder of the committee endorsed this view and recorded their thanks to F Jump and her team.

FJ then took the committee through the two main elements of the report: the final outturn for 2017/18 and the final Statement of Accounts; and then outlined the various documents and appendices that make up the final Statement.

Before moving to the Auditor's Report, Cllr Birnie sought and was given some clarification on the points raised regarding 'Reserves', particularly the difference

between 'usable' and 'other' reserves. He pointed out that the different terminology used in reference to them made it difficult to keep track and examine the function of these reserves. He asked if the reserves are listed anywhere? Officer suggested that members could keep track using the reserves listed in the February Budget Report and monitor their status through the updated list, generally included in the quarterly reports.

Audit of DBC Annual Accounts – Grant Thornton (Item 6a)

S Ironmonger (SI) of Grant Thornton Auditors introduced their report (including the addendum circulated to the meeting) containing the findings and recommendations on the Statement of Accounts: particularly highlighting their 'unqualified' opinion set out in Appendix D of their report.

Cllr Birnie asked for the reasoning behind which areas are tested out of the hundreds of items that might be tested. He wished to know if there is a set percentage for the overall possible areas for testing. SI responded that this is a statistical sample based on a set criteria developed to identify key areas for investigation which ensure that the operations of the Council are thoroughly examined and tested. It is not a fixed percentage but targeted investigations dependant on the size and scope of the council's activities.

Cllr Tindall asked if the significant difficulties experienced in obtaining listings of transactions and balances (as identified on page 13 of the auditor's report) had been addressed. FJ advised that the changes in staffing may have been a factor and it is being addressed to everyone's satisfaction. A Conlon of Grant Thornton (AC) advised that this is mainly a technical issue with the operation of the process due to the variety of sub-process being examined.

A Conlon then went on to say that this is in general a good set of accounts which the auditors expect to declare 'unqualified'. He highlighted the identified, significant risks as set out on page 7 of their report; they have been audited and the controls assessed. He went through five main areas of risks and the auditor's assessment of the effectiveness of the controls in place.

He drew particular attention to the risks surrounding PPE valuations. As an example he identified the disposal of Jarman Park as a significant financial disposal and that the processes compared well with financial accounting standards.

The auditors examined the council's 'going concern' assumptions and declared them appropriate, supporting 'value for money'.

He concluded that the key accounting policy processes are sufficient and that there are no variants to suggest the budget processing is not working. 100% of planned savings had been achieved and he would endorse the unqualified VFM opinion. He confirmed the robustness of the high standard of Full/Substantial as appropriate gradings. See item 63.

The Chair and committee thanked the auditors for their work and then confirmed the recommendations affirming the 'unqualified' audit.

63. HEAD OF INTERNAL AUDIT OPINION /ANNUAL REPORT 2017/18 (Agda Item 7)

M Towler of Mazars (MT) introduced the summary report from the Internal auditors and took the committee through the main points.

He commented that it was good to see the results in the External Auditor's report and felt the Council could take reassurance from the fact that the report shows the main risks had been identified, addressed, and any areas of concern improved. He felt this is echoed in the work done by Internal Audit and the general tone of their reports. He pointed out that his report shows that in the service investigations carried out there were **8 Full** and **10 Substantial** assessments leading to an overall assessment of '**Substantial**' for the work of the council.

His only note of concern and area for improvement involved the return of audit survey reports; of the 18 sent out only 5 were returned completed. MT did add that this is not a material issue but simply a matter of concern. He would encourage their completion as they measure the value of the audit to those audited. After establishing that it only takes about 30 minutes for the manager to complete the survey, Cllr Douris suggested that officers make it one of this year's targets to achieve 100% return of surveys. NH agreed to take this away and look at our approach.

The Chair singled out for praise those services that had achieved **Full/Full** assessments during the year and recorded for the minutes his and the committee's thanks to **ALL** employees, pointing out that they are testament to the improvement efforts being made at DBC (See confirmation from external Auditors Item 62).

63 **HEAD OF INTERNAL AUDIT OPINION/ANNUAL REPORT 2017/18**

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64. INTERNAL AUDIT PROGRESS REPORT (Agenda Item 8)

The committee considered the report from the Internal Auditor, Mazars - MT informed the committee on the results from the first quarter in which there was one audit finalised (to be considered at this meeting). There are still five audits outstanding from last year but this is mainly as their implementation dates have not yet been reached. He concluded that in his opinion things are moving forward as planned. Cllr Tindall suggested that the report might benefit from a 'still outstanding' column. Officer and MT felt that the comments column should serve this purpose.

65 INTERNAL AUDIT: SERVICE REPORT

65 INTERNAL AUDIT SERVICE REPORTS (Agenda Item 9)

The committee considered the Mazars report on the audit of **Housing Rents** (Evaluation assurance: **Full**. Testing assurance: **Substantial**).

The audit raised two Priority 2 recommendations and one priority 3 recommendation as follows:

Recommendation 1: Rent Debits – Termination of Tenancy Forms (Priority 2)

Recommendation 2: Rent Arrears – Former Tenant Arrears (Priority 2)

Recommendation 3: Recharge of Services Provided to Tenants – Calculation of Charges (Priority 3)

Cllr Tindal enquired if the Orchard system had failed us, since it had not prompted any action in two years. L Warden, Group Manager: (Tenants & Leaseholders) (LW) felt the gap in the software had been filled by a more effective structure and reporting line that ensured the team could keep track of the issues. They are collecting and assessing the evidence on how effective this method is before considering investing in a costly software update.

The Chair pointed out that the last two lines of the report, the officers' comments and the expressed satisfaction of the Auditors would suggest that this matter is in hand and being addressed.

66 AUDIT COMMITTEE WORK PROGRAMME

66. AUDIT COMMITTEE WORK PROGRAMME (Agenda Item 10)

The committee considered the work programme for 2018/19 and made no alterations or additions.

Resolved: That the work programme for 2018/19 be agreed.

The Meeting ended at 8.35 pm