

MINUTES

AUDIT

24 JUNE 2015

Present:

Members:

Councillors: Taylor (Chairman)
Barnes
Douris
Tindall
Wyatt-Lowe

Officers:

Cabinet Support Members

The meeting began at 7.30 pm

1 APOLOGIES FOR ABSENCE

Apologies for absence were submitted on behalf of Councillor Adshead. Cllr Brown substituted for Councillor Adshead.

2 DECLARATIONS OF INTEREST

None.

3 MINUTES AND ACTIONS

The minutes of the meeting on 11 February 2015 were confirmed as amended by the members present and signed by the Chair.

4 PUBLIC PARTICIPATION

None.

5 FINAL OUTTURN

FINAL OUTTURN

J Deane (Corporate Director: Finance & Operations) introduced this item which sets out minor changes since the provisional outturn. The Audit committee has full delegated authority to approve the changes as set out in the appendices and detailed in the report to the committee.

The committee then raised some issues arising from the report.

Councillor Tindall referred to the Building Control Reserve and asked if it is a result of staffing issues in Building Control. JD informed him that it is more the result of an increase in turnover rather than a staffing issue.

Councillor Douris asked if what was known as the VAT reserve still existed or was it used for something. JD explained that it had been incorporated into the pension reserve.

Councillor W Wyatt-Lowe wanted to know if the capital slippages would result in delays for DBC receiving rents and if this is referred to in the accounts. JD was of the opinion that they would be minimal and is immaterial in accounting terms.

Councillor W Wyatt-Lowe then moved on to the general fund reserve and asked if any s106 monies are likely to be lost due to being close to the deadline for their use. JD doubted that monies would be lost as s.106 arrangements are now closely monitored and officers get monthly reminders to spend the money.

Councillor Tindall took up this point and asked if there regular communication between DBC and HCC on the allocation of s.106 funds as both parties are closely involved in their application.

Councillor Barnes received a short explanation of the position regarding Highbarns and was referred to the appropriate papers.

Resolved:

1. That the financial outturn position for 2014/15 as set out in the report to the committee be noted;
2. That the movements on earmarked reserves be approved ; and
3. That the capital slippage as set out in Appendix C of the report be noted and approved.

6 STATEMENT OF ACCOUNTS

PRE AUDIT STATEMENT OF ACCOUNTS

The Corporate Director: Finance & Operations took the committee through the Statement of Accounts.

He drew attention to the full evaluation of buildings and council houses; and explained how the council housing is valued using beacon groups.

He felt members needed to note the considerable increase in assets under construction, which has gone up by £11m due to the number of significant projects being undertaken by the Council.

JD also drew attention to Business Rates Appeals and the fact that DBC now get to retain a proportion of the rates collected. However there has been a considerable increase in appeals up to April 2015. The appeals take a good deal of time and can often be for considerable amounts.

The Chairman thanked the Corporate Director for his report and asked that those thanks be extended to R Baker: Group Manager – Financial Services and A Keyte (Accountant) for their work in producing these accounts.

The members noted the line dealing with External Audit costs which referred to an earlier year. S Bladen explained that this was a refund on the fees which could not be assessed until after the audit of last year's accounts. He explained that this was due to the ease of last year's audit due to quality of the accounts submitted.

The members noted the line dealing with External Audit costs which referred to an earlier year. S Bladen explained that this was a refund on the fees which could not be assessed until after the audit of last year's accounts. He explained that this was because work on the certification of claims and returns had taken less time than had been planned.

Councillor W Wyatt-Lowe was surprised by the assumption on page 12 of a reduction in the anticipated age of pensioners, as it flies in the face of all the evidence. He asked if we ever questioned these figures. JD understood the councillor's point but added that the figure is provided to Herts County Council by actuaries and consequently is the figure that has to be incorporated in the accounts. Councillor Tindall offered to speak with the County Council regarding this.

Councillor Brown asked if the accounts incorporate an estimate of how many council houses are empty and costing us money? JD explained that Housing would be able to provide figures on 'voids' and their impact on the HRA.

Councillor Douris went back to the issue of the revaluation of the Housing Stock and the issues this had caused DBC in the past with the process for establishing the values being questioned by the external auditors.

JD pointed out that unlike previous occasions when the valuation was arrived at via a desktop exercise, this year there is to be an actual site visit to instances of the relevant property groups to establish actual values. The External Auditor went on to say that this is a risk identified in their audit plan and they will do work around the figure provided.

Councillor Douris sought some assurance that External Audit are broadly comfortable with the values arrived at this year. The External Auditor felt it

would not be possible to say at this time as he did not wish to pre-judge this year's audit.

The Chair said he is hopeful as DBC are carrying on with a process agreed from previous years with the internal and external auditors.

Resolved:

1. That the Statement of Accounts 2014/15 be noted and, members being provide with the assurance that they needed, the Statement be approved on behalf of the Council; and
2. That the Annual Governance Statement included in the Accounts be approved.

7 PROCUREMENT INTERNAL AUDIT REPORT - MAZARS

This item was deferred until the July meeting.

8 ANNUAL REPORT 2014/2015 - MAZARS

Mike Clarkson (MC) of Mazars took the meeting through the Draft Internal Audit Annual Report. He began by saying it makes good reading and is, overall, a positive message.

He drew attention to the summary on page 3 of the report and the slight increase in projects rated 'full assurance' as well as 81% being rated either 'full' or 'substantial' assurance. He pointed out that there had been a slight increase in projects rated 'limited assurance' but that these had been specifically requested by the managers to identify improvements. These were set out in appendix 1 of the report.

Councillor W Wyatt-Lowe requested details of any cancelled or deferred audits and was given the information.

Resolved

That the Draft Internal Audit Annual Report be noted and approved with some satisfaction.

9 DRAFT INTERNAL AUDIT PLAN 2015/16 - MAZARS

The internal Auditors submitted their Plan setting out how they intend to carry out the 2015/16 audits. The plan was developed in consultation and after discussions with DBC management, taking into consideration the strategic risk register. The draft plan is intended to be flexible and can include any matters that may arise through the year. The draft plan was included in the

appendix booklet and identifies some audits already ongoing.

Councillor Douris returned to the flexibility in the plan and the days included for 'contingency' and questioned if they would be enough to deal with anything which may arise, for example something arising out of scrutiny. James Deane, Corporate Director Finance & Operations (JD) pointed out that ten of the thirty possible days had been allocated to the Risk Workshop, but that this left sufficient for anything that may arise. If necessary the plan has been developed to enable less pressing matters to be deferred and free up appropriate days.

Councillor Douris alluded to the fact that the council's dependency on ITC is increasing and suggested that ICT may need more audit resources devoted to it. MC acknowledged the councillor's point but felt that the number of days was sufficient and if any extra was required then the plan is flexible enough to deal with it.

Councillor W Wyatt-Lowe enquired how the audit of Housing Repairs would be able to demonstrate value for money. MC advised that they would look at controls and in addition performance management to form an opinion. Cllr Wyatt-Lowe asked if they would consider consulting those that we did not choose from the tenders submitted and was informed that this option had not been included as part of this audit.

Councillor W Wyatt-Lowe moved on to a proposed audit of Expenses For Members and suggested that, as most members do not bother to claim expenses, the amounts are too small to worry about.

The committee then moved on to the subject of Project Management Assurance. Members wanted to know if this will include any 'retrospective analysis'. Will the auditors' opinion include an assessment of project management in earlier times e.g. as far as Regeneration is concerned? JD advised that the audit will look at past audits for trends and possible future controls.

Councillor W Wyatt-Lowe questioned whether the decision not to participate in the County-wide Counter Fraud Initiative will be examined. JD gave some background to the DBC decision and the alternative adopted. However he went on to say that we have not written off participation in the scheme and may review this decision when we have a clearer view of the effectiveness of participation.

Mazars' Framework for Governance has now been 'built' and is being tested. The aim is to use it this year to provide the evidence to support the Annual Governance Statement.

Resolved:

That the Audit Plan and the Auditors strategy for the 2015/16 Audit be noted and endorsed.

10 **EXCLUSION OF THE PUBLIC**

The Meeting ended at 8.30 pm