

MINUTES

AUDIT

18 JULY 2019

Councillors: Birnie
Mahmood
Silwal
Townsend
Uttley

Officers:	David Austin	Assistant Director - Neighbourhood Delivery
	Russell Ham	
	Nigel Howcutt	Assistant Director - Finance and Resources
	Fiona Jump	Group Manager - Financial Services
	Daniel Powell	Trainee Accountant
	Lexi Schultz	Financial and Regulatory Accounting Team Leader
	Ben Trueman	Group Manager – Technology & Digital Transformation
	Sarah Turner	PA to the Corporate Directors

Also in Attendance:

M Towler	Mazars
A Banister	Grant Thornton

The meeting began at 7.30 pm

1 MINUTES AND ACTIONS

The minutes of the meeting held on 27 March 2019 were agreed by the members present and signed by the Chairman.

2 APOLOGIES FOR ABSENCE

Apologies were received from Cllr Chapman and Cllr Symington. Cllr Uttley substituted for Cllr Symington.

3 DECLARATIONS OF INTEREST

There were no declaration of interest.

4 PUBLIC PARTICIPATION

There was no public participation

N Howcutt presented the Financial Outturn Report for 2018/19 and asked Committee if they had any questions.

Cllr Uttley asked for an explanation of positive slippage. N Howcutt advised that it was money slipping from 18/19 to 19/20 and that where you see brackets that is a credit so is either an underspend or a slippage into the future financial year.

Cllr Uttley mentioned that the verge hardening seems to be going well. N Howcutt replied that appendix C tells us the financial slippage and would be the best financial information to look at.

Cllr Uttley queried the zero spend on the demolition of Gadebridge Park greenkeeper shed in 2018/19 and yet a budgeted spend in 19/20. NH replied that there is slippage from a project that was previously thought ended. When funding is not spent we need to ask Members to approve moving the budget to the following year, if the project is still to progress.

Cllr Townsend questioned if this should go through the budget process. N Howcutt said that all budget set ups and changes are approved by cabinet and council but we do try to endeavour to keep changes to the approved budget to a minimum.

Cllr Birnie asked if the budget came from reserves. N Howcutt replied that it could be funded from multiple sources normally either e-profiling the Capital projects or use of reserves. The use of reserves is a last resort. Every quarterly cabinet report includes Capital and if additional funds are needed it will be highlighted to Members.

Cllr Townsend enquired if there was a reason that the outturn report can't be aligned to the narrative report. N Howcutt confirmed that reconciling the 2 is not straight forward, and we will work on this for the future. The two reports are aimed at different audiences and with different expectations. The outturn report follows the quarterly reports structure reported to members and the narrative is at a much higher level focus.

The Chairman asked about the variance to budget on garages. N Howcutt mentioned that there is a Task and Finish Group looking at garages and as part of this group a stock condition survey is being undertaken to determine the need for investment and levels of demand. The project will look at where we need to invest or divest and it will be reported back to members in this calendar year.

The Chairman sought clarification on the unbudgeted costs for The Forum. N Howcutt advised this was for pigeon proofing, which had already been included in the build, but wasn't effective. The works were undertaken at the same time as the improvements for the CCG relocation, which provided the opportunity to do the work and get value for money. Cllr Birnie highlighted that this had been through Cabinet.

Cllr Uttley asked how approval is sought for Line 78 budget slippage £1.09m. N Howcutt confirmed this slippage was from the original capital budget approved which is why we always show the total slippage.

6 **STATEMENT OF ACCOUNTS 2018/19 AND LETTER OF REPRESENTATION**

F Jump gave a presentation on the statement of accounts 18/19 and the letter of representation.

7 **2018-19 GRANT THORNTON AUDIT FINDINGS REPORT**

A Banister presented the 2018/19 Grant Thornton Audit Findings report. NH advised that the Head of Internal Audit report would also be covered as this is good practice.

Cllr Birnie asked if the court hearings for pensions involved Dacorum. A Banister confirmed it wasn't. N Howcutt mentioned that there had been a court hearing where it was ruled that all public sector had to consider the outcome, so it seemed sensible to make the changes. Materiality does not come into it as it doesn't meet the threshold and it's purely an accounting change.

Cllr Townsend enquired if sample tests were undertaken and if they are confident that everything was correct. A Banister advised that they were and that they were confident in the report findings.

Cllr Townsend mentioned the AGS and if this was the only time Members had the opportunity to review. N Howcutt replied that the AGS was reviewed by Officers throughout the year but was approved annually as part of the accounts sign off process. A Banister clarified that the Audit Findings report was issued and reviewed and signed off once per year.

Cllr Townsend said that the revaluation reserve was the biggest change in the balance sheet and queried if there are any concerns which Members should be aware of. A Banister replied that there were no concerns and that the report findings were substantially complete, this included taking into account that there were enhanced procedures this year.

Cllr Townsend asked if the drivers for the difference was increasing property prices or changes to the portfolio. A Banister said it was probably both, house prices are particularly volatile, but we have corroborated what's there and we've not found any issues.

Cllr Townsend wanted confirmation of how often the revaluation was undertaken. A Banister replied that it was dependent on the type of property, but over 5 years everything will be revalued. N Howcutt added that it's an external independent valuation which is undertaken in January and we have a letter of comfort in March. It's a tried and tested process and it is independently confirmed, which is then verified by Grant Thornton.

Cllr Townsend highlighted that the General Fund balance remained flat but was included in the budget, the outturn remained flat and asked for clarification on whether changing the reserves should be analysed separately. A Banister confirmed that the General Fund remaining flat is to be expected and also that nothing had been found that gave cause for concern.

Cllr Townsend enquired about the surplus of £3.8m in terms of the outturn, which was mentioned as a positive at Council, but there is a negative of £4.8m, F Jump confirmed this was a different way of presenting the accounts and a capital adjustment and the pension adjustment and in some respect both answers are correct. NH confirmed he will provide a reconciliation which will probably go into a lot of technical detail.

Action: N Howcutt

The Chairman asked the Committee to approve the accounts and the letter of representation. The Committee requested that the typos are corrected and on that basis the account were approved.

Cllr Townsend wanted to include for the minutes that he had asked a significant amount of questions and would like it recorded that staff had been very very helpful.

N Howcutt wanted to add that this had been an excellent piece of work by the team and that very few authorities have achieved a letter as good a standard as we have had, it shows the diligent work and the many hours that's gone in, particularly from the three officers but also the supporting team has very much come to fruition. N Howcutt very much appreciated the work of the team.

8 HEAD OF INTERNAL AUDIT OPINION AND ANNUAL REPORT 2018/19

M Towler summarised the audit report for 18/19 which includes the Head of Internal Audit Opinion which was confirmed as substantial.

9 ANNUAL REVIEW OF THE INTERNAL AUDIT CHARTER

N Howcutt introduced the Annual Review of the Internal Audit Charter which is reviewed annually, this is a good document which sets out what Internal Audit does and how they add value.

M Towler confirmed this was a requirement and it does tend to stay the same, unless things change drastically.

Cllr Townsend said that the cover sheet says that Committee should review this but it's signed so we're approving it. There should be consistency on that.

Cllr Townsend mentioned the Annual Governance Statement we assert that whenever we have an agenda item it says is it value for money and the rest of it, but this report does not have the cover sheet. N Howcutt confirmed he would be responsible for this and would ensure that a cover sheet was included in future.

Action: N Howcutt

10 INTERNAL AUDIT PROGRESS REPORT 2019/2020

M Towler updated on the Internal Audit Progress Report for the first quarter 19/20.

Cllr Townsend enquired how many FTE's were working on the contract. M Towler replied if you considered the 250 days that are directly delivered it would equate to

.25 FTE's. There are various Audit specialist staff involved in different audits though, as well as audit managers that are also involved.

11 **INTERNAL SERVICE REPORTS**

The Internal Audit Service Reports were presented to the committee.

The Budgetary Control report was introduced by M Towler.

NH said that the report identified that good controls are in place and that full/full is exceptional. Members confirmed they agreed.

The report on the Core Financial Systems was introduced by M Towler.

Cllr Birnie queried the issue with purchasing. N Howcutt advised this related to Purchase Orders approvals. N Howcutt highlighted again that this report was exceptional.

M Towler introduced the Business Continuity report.

Cllr Townsend asked if we are judging ourselves or is it by our policy or other legal requirements. M Towler replied that it was judged by best practice and policies, it would be looked at in terms of adding value.

Cllr Townsend wanted to know how concerned should we be with the report. M Towler confirmed that this was a limited opinion which was made at that point in time, the key priority is that the report is taken seriously and the changes are agreed and implemented. M Towler confirmed this has not been ignored so he has no concerns about this.

The IT Change Management report was introduced by M Towler. There were no questions arising.

12 **FUTURE WORK PROGRAMME**

A meeting will be held with Cllr Chapman to update the Work Programme and this will include the approved audit plan details.

N Howcutt advised that the next meeting will include additional Audit Training, where there will be a presentation on the roles and responsibilities.

Cllr Townsend raised concerns about the Planning process operationally and the timings and enquired if it could be included in the Internal Audit Programme. N Howcutt confirmed planning had been recently audited with the IA report scrutinised by AC in March. Although we do have some flexibility with the IA Programme if members require additional scrutiny. Cllr Townsend asked for it to be considered by the Chair. N Howcutt confirmed the best place to start would be the Planning Overview and Scrutiny for them to assess if there are operational processes that are not robust. N Howcutt will circulate the Internal Audit Programme circulated and then we can look at changing things if required. M Towler confirmed this was a limited

opinion and there was a Priority 1 recommendation and the work on that will be done this year.

Cllr Birnie confirmed there had been quite a few changes in planning including new systems which is changing completely. N Howcutt mentioned that the report that came in March highlighted issues with the present planning system and the management response was that they are in the process of rolling out Uniform and it will be implemented by September. Once that is embedded Internal Audit will be asked to review

The Meeting ended at 8.55 pm