

MINUTES
AUDIT COMMITTEE MEETING
29 MARCH 2022

Present:

Councillors: Birnie
Herbert Chapman
(Chairman)
Mahmood
Silwal
Townsend

Officers: Oliver Jackson Head of Housing Management
Fiona Jump Head of Financial Services
Craig Thorpe Head of Environmental Services

Also Attendance:

Philip Lazenby TIAA
Paul Cuttle Grant Thornton

The meeting began at 7.30 pm

1 APOLOGIES FOR ABSENCE

Apologies were noted from Cllr Symington.

2 DECLARATIONS OF INTEREST

There were no Declarations of Interest.

3 MINUTES AND ACTIONS

The Minutes of the previous meeting were review and agreed with the following comments

Cllr Birnie noted that 'response inaudible' was noted twice on page 6 of the minutes and asked if this meant that the responses had therefore been lost. It was noted that this could be checked with Member Support to check if any additional notes were made but that the response may not have been audible as part of the recording.

4 PUBLIC PARTICIPATION

There was no public Participation.

5 EXTERNAL AUDIT AUDITOR'S ANNUAL REPORT 2020-21

AJha referred to the auditor's report, noting the change in reporting on VFM work and that this year there is no requirement to provide a qualified or unqualified BFM conclusion and instead they are required to report on overall arrangements including financial sustainability, governance and the 3 Es of VFM. Recommendations and any significant weaknesses are then raised as a result of this. AJha noted the types of recommendations that can be given with statutory recommendations where significant weaknesses have to be disclosed publicly and a response to reports has to be provided, and that no such recommendations have been identified. Key recommendations are on significant weaknesses regarding governance, financial sustainability and the 3 Es of VFM, and it was confirmed that none have been identified.

AJha confirmed that some recommendations for improvement regarding processes and benchmarking have been made, as detailed on pages 15-16 of the report. AJha noted that recommendations were raised on governance and economy efficiency and effectiveness, and took the report as read. It was confirmed that the recommendations have been acted upon by the management and an action plan has been drafted, which forms part of the recommendation.

Cllr Birnie commented on the accuracy of the KPIs, noting that this has been encountered across numerous parts of the council, and asked if there was a date for this improvement. AJha explained that this was being worked upon and the process has started, and that there would be a review of recommendations that have been raised. Cllr Birnie noted page 26 of the report that states the KPI review would be completed in February 2022. It was confirmed that this was management's comment when the report was submitted in December and would be reviewed again. FJump added that the recommendation regarding KPIs was for the council to further publish their confidence behind each KPI rather than the accuracy of the reports. Cllr Birnie stated that his focus was on SPAE and that the officer in charge of Cupid Green has asked for KPIs to be reviewed. FJump confirmed that specific KPIs would be looked at as part of the service review process and that this is underway, and a timescale could be brought back to the Committee if required.

6 EXTERNAL AUDIT ANNUAL AUDIT PLAN 2021-22

The report was taken as read.

The key factors and significant risks were highlighted, as outlined on page 39 of the report. It was confirmed that the materiality levels will be £3m, which remains unchanged from last year, and the benchmark of 2% of the prior year gross expenditure also remains unchanged. Any identified errors above £150k will be reported, though any errors over £3m will need to be adjusted, with the methodology remaining the same as last year.

Significant risks have been identified as:

- Material misstatement of accounts
- Fraud risk over expenditure recognition
- Management override of controls
- Valuation of the land, buildings and pensions being misstated

Auditors are required to comment on any cautious or optimistic estimates, as per ISA 560, and it is felt there is significant judgement involved in the estimations of land, buildings, council dwellings, accruals and pension fund liabilities.

Cllr Birnie commented on Grant Thornton's inspection by the FRC, noting that 9 audits were reviewed, and asked if DBC was included in any of these. It was confirmed that none of those reviewed included the public sector and that Grant Thornton had performed well against the big 4.

An update was provided on the housing benefit audit where it was noted that the audit should be closed by 15th April with a report to be submitted thereafter.

Cllr Townsend queried the timings of the audit report. It was confirmed that this is set out on page 49 of the report and that the aim is to start the final audit by July for completion by September. An audit opinion and findings report should be submitted for the Audit Committee meeting on 15th September.

7 SUMMARY INTERNAL CONTROLS ASSURANCE (SICA) REPORT

PLazenby provided an overview of audit reports, noting that 2 audit reports have been completed since the last meeting. 1 audit report has been delayed due to no DBC representative being available for the last meeting to provide a response, and that this has now been provided today. It was confirmed that there is a range of audit opinions with 1 substantial, 1 limited and 1 reasonable.

For the Housing Rents report, it was confirmed that there were 4 important, 2 routine and 2 operational recommendations made. The audit identified that Housing Rents are present in relation to payments arrears and former tenant arrears, though there are issues regarding priority 1s with all cases having inconsistencies and a general failure in escalation. Performance of individuals in relation to current tenant arrears and systems in relation to former tenant areas was also queried. A management response was given in relation to issues raised, indicating that responses are being addressed in a timely manner. There was also some mitigation with management contributing to observations as well as through the recruitment of 2 posts. It was also noted that management have provided a response regarding the balance of the suspense account and have confirmed this will be reviewed in September. It was confirmed that no issues were overly concerning in nature, but that errors and consistency were present in a reasonable proportion of items reviewed and that management must address underlying issues. It was also noted analytical techniques will be brought into next year's plan and that issues must therefore be addressed.

Cllr Birnie asked why it took 2 years for the auditors to discover that the rent arrears, and write-off policy review was 5 years overdue. It was confirmed that the audit

programme runs across a 3-year rolling plan and that this had not been incorporated within the plan. Cllr Birnie stated that this was important as part of the rent arrears and that he was surprised it had not been reviewed. OJackson confirmed that a light-touch review of the policy has been carried out and a full review is booked in for Q2.

Cllr Birnie commented there was no figure for the total of arrears over the period. PLazenby confirmed that this was not included in the report and that the review was on the process rather than the figures.

Cllr Birnie noted the appointment of 2 further housing officers and asked if the amount of arrears and write-offs justified this expense. OJackson advised that the growth bid was submitted for 2 additional income officers, which includes a number of KPIs, and they are recruited on a 2-year fixed-term basis to allow the impact of these 2 additional posts to be assessed. It was noted that the addition of these 2 members of staff also brought the team in line with other neighbouring authorities.

Cllr Birnie remarked that he hoped F&R Committee have access to the figures, adding that this was not the case for the SPAE O&S Committee, and that he felt there was a discharge between the Audit Committee assessing matters after the event and committees that assess specific issues on a quarterly basis. Cllr Chapman agreed, stating that an update as the matter progresses would be beneficial.

Cllr Chapman referred to page 67 of the report, asking if the draft regarding the business community was now complete. PLazenby advised that it was due to be issued by the end of the week.

PLazenby confirmed no significant concerns were raised in the Debtors and Arrears review with 2 low-priority recommendations made in relation to debt management and appropriate management actions have been provided. It was also noted that financial controls in this area have remained strong.

PLazenby next looked to the Waste Management report, stating that there was a long series of non-compliance with operational matters, resulting in 20 recommendations raised of which 3 are urgent, 10 are important and 7 are routine. Concerns included defect reports not being completed, checks not being undertaken, defect numbers not being reported, fluid checks being ticked off at the end of the route, and completion of insurance claims forms.

Cllr Birnie noted his surprise that, despite the number of failings recorded, that it is stated in the report that there has been no reduction in effectiveness. Cllr Birnie acknowledged the pressure on the team at Cupid Green but that a number of failings had been raised and he was therefore unsure how these could not affect Waste Management's operations. PLazenby confirmed that Cllr Birnie was referring to the audit plan memorandum, which is completed at the start of the audit based on management's assertions at the start of the review.

PLazenby covered some of the concerns raised in more detail. It was noted there was no central process for monitoring required medical updates and that drivers' sheets were not being fully completed in a timely manner in the majority of cases examined. On operations, it was identified in 4 incidents that drivers had not followed expected processes with drivers having different understandings of limits.

Handbooks were not signed and management indicated that this was in the process of being resolved. It was noted that a depot transformation programme was due to be commenced in January 2021 with a view for potential implementation at the end of Q3, which would help with the requirements noted, and the response alone forms much of the risk management responses. In the event that this doesn't occur, a different set of management responses and mitigations will be required, so will require substantial follow-up work to provide sufficient assurance that underlying risks are being addressed.

Cllr Birnie commented that the audit report had highlighted a number of items that should have been highlighted to the SPAE O&S Committee and none of these matters had been mentioned. Cllr Birnie noted that a number of officers report to the Committee and he read out the following:

“A difficult quarter for Waste Services due to the loss of 200 days due to Covid-related absence and the national shortage of drivers, resulting in the loss of 5 full-time and a number of agency LGV drivers. Despite this, all services were maintained without significant disruption. Market supplement agreed and paid LGV drivers, subsequently all 5 drivers who left requested to return and 4 out of the 5 have been re-employed.”

Cllr Birnie noted that the Committee had been delighted with the report provided to the SPAE O&S Committee and returned to an earlier comment regarding a lack of information being provided to committees who are supposed to be scrutinising issues on a quarterly basis. Cllr Birnie reiterated that no identified issues were reported to the SPAE O&S Committee during Q3, with no mention of the internal audit or concerns raised. Cllr Birnie suggested that Waste Management should figure heavily in the next audit plan given the failings highlighted in the report, adding that Cabinet should look closely at the relationship between the Audit Committee and scrutiny committees. Cllr Chapman agreed that full information should be provided but that he felt Cupid Green had performed well despite the number of absences and difficult circumstances.

Cllr Townsend commented that he felt the team at Cupid Green had performed well and that the report didn't suggest the work wasn't being done. Cllr Townsend noted that one of the mitigations is listed as ongoing and that he found this unsatisfactory and asked for an update on the actions taken so far.

CThorpe remarked that the findings on Waste Management had been surprising and that the picture isn't as bleak as has been presented. It was noted that there have been communication problems with drivers and transport managers, and motivational differences, and that they don't know that drivers have not completed checks until they go out. Regarding on-board scales, it was noted that this is a calibration issue and that there have only been 2 overloads in the last year and none were over the legal limit. It was confirmed that weight limits are set 1 ton below the legal vehicle capacity and that it is down to the driver to perform vehicle calibrations, though actions are taken when a weight ticket is received.

Cllr Silwal acknowledged the shortage of drivers and asked if recorded incidents had been performed by the same drivers. CThorpe confirmed that numerous agency drivers have been used over the last 2 years, and that it was difficult to provide the level of detail on training for agency drivers compared to those who work for DBC

who have a 1-2 day induction on vehicle checks. It was also noted that there have been difficulties in attracting agency drivers due to salary levels. CThorpe advised that he had identified issues over the last year and wanted the audit to take place.

Cllr Silwal commented that actions need to be taken if drivers repeatedly make mistakes. CThorpe confirmed that actions are taken when drivers are found to be non-compliant and disciplinary cases have taken place. A comment was also made that waste drivers had worked well during the pandemic and that there had been a national shortage of drivers, and that the issues raised could be easily mitigated.

Cllr Birnie stated that he had the highest regard for CThorpe and his team and that his concern was around the lack of information coming to the SPAE O&S Committee.

Cllr Townsend referred to page 93 of the report and the concern on the scales, noting that the management comments state that any vehicles exceeding a safe weight is issued with a defect number. Cllr Townsend stated that he would expect a further commitment to address the finding and asked if the management comments provided do this. PLazenby advised that the engagement of the audit was a commitment by the organisation to provide transparency on issues that need to be addressed and risks that need to be mitigated to then track improvements going forward. PLazenby noted that no audit had previously looked at this topic and that management responses are not in the form that they would want, and while they mostly provide key dates, the control, risks and responses don't align as they would in departments used to regular audits. PLazenby confirmed that they would address the responses as part of the follow-up processes to ensure that the response has been actioned and that the root cause has been addressed.

Cllr Townsend recommended that wordings be given to the Audit Committee to provide reasonable assurance that the concerns will be addressed. PLazenby suggested that rather than provide an updated report with revised responses, they instead incorporate all recommendations as part of the follow-up to the next Audit Committee with an updated response on the underlying risk. Cllr Townsend agreed with the proposal. FJump confirmed that they would work with PLazenby on providing this.

CThorpe commented on the item regarding on-board scales, stating that the vehicle was never over its legal load as it is set 1 ton less, and that the issue was that the driver was not informing them that the vehicle was going out of calibration. CThorpe stated that any weighing system will go out of calibration, and that the comments on continuing to monitor this and setting loads 1 ton less below the legal limit means they don't risk the vehicle being overloaded.

Cllr Birnie noted the reference in the report to CPC checks not being done and that it is the driver's responsibility to keep these up to date. Cllr Birnie asked if they are putting too much on drivers and if supervisors in the depot should instead perform these checks. CThorpe advised that drivers' CPC cards and driving licences are checked every morning. For new or agency drivers, their CPC may not be in date and that this won't be known until their licence is taken from them. Cllr Birnie asked if ongoing checks could be performed from a management point of view. CThorpe confirmed that they arrange training for their own drivers and therefore know their CPC dates, but that this is more challenging with new or agency drivers.

8 **ANNUAL INTERNAL AUDIT PROGRAMME 2022-23**

PLazenby presented the internal audit plan, noting that the 3-year rolling plan has been previously presented. The current plan is as is listed in the programme, and PLazenby noted that some dates may have changed, such as bringing some audits forward.

Cllr Townsend asked if they could suggest items for audit. PLazenby confirmed that the plan is malleable and further topics could be recommended. Cllr Townsend commented on the planning application process, noting issues with viewing plans in the portal and not being able to comment on amended plans. Cllr Townsend recommended that an audit be conducted on whether those who are asked to comment on plans are seeing the right ones and whether there are any operational issues in the process. FJump noted that there was potential time in the plan to allocate to this and that this request would be looked into further. Cllr Birnie noted the new planning system is being embedded and commented that he was pleased to see planning enforcement listed.

9 **STRATEGIC RISK REGISTER UPDATE QUARTER 3 2021-22**

FJump noted that no papers had been tabled for the item and asked that it therefore be deferred to the next meeting. The Committee agreed that the item be deferred.

10 **WORK PROGRAMME**

Cllr Chapman noted the work programme and confirmed no further additions.

The Meeting ended at 9.10 pm