

MINUTES
AUDIT COMMITTEE
14 JUNE 2023

Present:

Councillors: Stewart (Chair)
Freedman
Douris
Stevens
Elliot
Birnie

Officers: F Jump Head of Financial Services
N Howcutt Chief Finance Officer
C Silva Donayre Strategic Director, Corporate & Commercial
T Angel Democratic Support Officer

Others: Philip Lazenby (TIAA)
Paul Cuttle (Grant Thornton)

The meeting began at 7.30 pm.

1 APOLOGIES FOR ABSENCE

Apologies were noted from Cllrs Reynolds and S Hobson, who were replaced by Cllrs Stevens and Freedman.

2 DECLARATIONS OF INTEREST

There were no declarations of interest.

3 MINUTES AND ACTIONS

Cllr Birnie referred to page 5, paragraph 4, noting that they were supposed to be discussing an external appointee at this meeting though this was not on the agenda. The Chair queried where the revised terms of reference as discussed in the minutes were and whether the suggestion that an independent member join the Committee had been actioned.

F Jump confirmed that the terms of reference were brought to the Committee in March and suggested that this be brought to the July meeting when they have a full complement of Audit Committee members so this can be discussed as part of a wider piece on training and responsibilities.

F Jump suggested that the proposal on independent appointees be brought to the July meeting for further discussion.

Cllr Douris asked if the individual Committee should update and approve its own terms of reference or if this has to be formally agreed at full Council. F Jump confirmed that they would need to be formally approved by full Council though they should be agreed by the Committee first.

N Howcutt advised that at the July meeting they would look further at the Committee's roles and responsibilities, noting that the Audit Committee is accountable to Council and can make recommendations to Council.

The minutes of the previous meeting were formally approved, though it was noted that no councillors were present at the previous meeting.

4 PUBLIC PARTICIPATION

There was no public participation.

5 INTERNAL AUDIT ANNUAL REPORT 2022/23

Cllr Elliot noted the robustness of financial controls and that it is a tribute to officers involved. Cllr Elliot also noted the financial sustainability of the Council.

The Chair supported the comments made by Cllr Elliot and commended the report.

Cllr Douris referred to the suggested recommendations within the report and queried why they were just suggestions. P Lazenby advised that this refers to the SICA, the progress report, which wasn't being presented at this meeting. P Lazenby confirmed that the suggested recommendations could be transferred to 'must'. Cllr Douris advised that 'should' would be more appropriate as this would encapsulate the suggested recommendation concept. P Lazenby confirmed that this update could be made if preferred by the Committee.

P Lazenby presented the internal annual audit report, noting that this covers audits that have taken place over the last 12 months and summarise recommendations, observations and concerns as well as attribute an overall opinion in terms of satisfaction for the internal controls presented. The observations are in respect of the areas that auditors have been asked to look at, which will be discussed in more detail at the next meeting, and the Committee should raise areas of concern in respect of key risks that the organisation faces as these are the areas that an opinion can be provided on.

P Lazenby noted a reasonable level of assurance for the controls they were asked to review, as detailed on page 1 of the report, with only one report showing limited assurance. 17 audits were provided, 16 of which had a level of assurance attributed, and when benchmarked against other organisations, DBC is comfortably in the reasonable level. On corporate health and safety receiving limited assurance, P Lazenby advised that this was a known area of business.

Cllr Elliot queried what 'discreet projects' refer to as mentioned in Annex C. P Lazenby advised that this is where there is a level of hypothecation with money set aside and can't be used for other areas.

Cllr Freedman commented on the approach to the internal audit function and suggested that the approach taken last year would be the same as previous years with a focus on the council's consistency of operations. Cllr Freedman stated that they have not exploited the value added function that internal audit should bring with more pronounced changes or threats that are being considered, such as the number of senior staff positions that have changed in recent years. Cllr Freedman suggested that the internal audit process should come along with other strategic discussions to ensure this input is being given whilst these are being considered.

P Lazenby advised that TIAA is not a consultancy firm that has been engaged and are an audit organisation, and whilst they can provide added value, their time is primarily to support the overall level of assurance provided and changing this would need to be supported by the organisation with a clearly agreed scope.

N Howcutt explained that the Committee approves the annual audit programme before it goes to Cabinet and Council for further approval and any focuses for audits is discussed by the Committee. N Howcutt noted that additional audit risk training was provided to the Committee and officers last year and will likely be taken up again this year, and if the Committee feels there is an area that requires focus, this can be included in the plan as an ad hoc item or be scheduled for next year as part of the rolling programme. C Silva Donayre added that this is also discussed by SLT so these areas can be reviewed further. N Howcutt added that the Committee need to consider if they are receiving the level of assurance they require and that the auditors can also help provide other areas for consideration.

Cllr Freedman commented that internal and external audits reviewing performance on established goals could potentially miss the opportunity for added value and that he was comfortable that the decisions on areas to focus on is being made.

The Chair referred to the separate paper outlining the areas chosen. N Howcutt confirmed that this was signed off by the Committee in February or March and that the Committee would pick up the cycle in February 2024.

Cllr Stevens queried where business resilience and continuity sits within the assurance programmes. The Chair advised that this was audited last year and was therefore not selected for this year. F Jump confirmed that another audit on business resilience will therefore be due next year. P Lazenby added that internal audit is not the only level of assurance that should be received. N Howcutt noted that there are also 3 other overview and scrutiny committees and that the internal audit will also provide a further view. N Howcutt advised that if the Committee does not feel it is receiving the correct level of assurance then this needs to be addressed.

The Chair queried when the final internal audit report will be provided. P Lazenby explained that the report is not typically issued as a final report until received by the Committee, though they will not be receiving the 2 final outstanding reports and he would discuss this further with N Howcutt. N Howcutt advised that agenda item 6 contains 2 of the final audit reports for last year and that this would be discussed outside of the meeting. P Lazenby suggested that the level of assurance was unlikely to change from the reports that have been effectively finalised.

Cllr Douris commented that he was dispirited that the internal audit report could not be signed off and suggested that the 2 outstanding reports be approved by the Committee so that the final internal audit report could be signed off. Cllr Birnie disagreed, noting that the Committee needs sufficient time to thoroughly scrutinise documents and that 3 days was not sufficient time to give the reports proper consideration. Cllr Birnie agreed that agenda item 6 be postponed until the July meeting.

The Chair noted the reference to 94% on page 3 of the report and asked if this means that the governance and risk management item remains in progress due to delays caused by elections. P Lazenby confirmed that the governance audit was moved forward due to the elections. The Chair noted that the report could not be signed off until this was received.

The Chair queried what NNDR stands for. N Howcutt confirmed that this refers to national non-domestic rates.

The Chair noted the reference to 216 days on page 1 of the report and 201 days in the summary report. P Lazenby advised that this comes from audit dates being moved into different years and that a full breakdown could be provided if required.

The Chair noted that the approval of the internal audit report depends on the approval of the SICA report. P Lazenby noted that the governance review is also outstanding, though a paragraph on governance has been included in the report to state this has been reviewed sufficiently throughout the year, though the 2 outstanding reports need to be signed off to support the finalisation of the report.

The Chair asked if returning to the internal audit report in July would cause any operational issues. It was confirmed it would not.

Cllr Douris referred to the limited assurance on corporate health and safety and asked if it being rolled forward from 2021-22 was due to Covid and why it only received limited assurance. P Lazenby confirmed that it was originally scheduled to take place in the previous year but an incident occurred in the Berkhamsted area that resulted in a high profile piece of work being undertaken, so the audit was deferred

whilst this went through. N Howcutt advised that there are reports and paperwork that can be circulated on the incident if required.

The Chair noted that the Committee would review the 2 outstanding reports at the July meeting.

6 **SUMMARY OF INTERNAL CONTROLS ASSURANCE (SICA) REPORT**

Item deferred to the next meeting due to the late arrival of papers.

7 **EXTERNAL AUDIT ANNUAL REPORT**

P Cuttle presented the update, noting that external auditors provide outputs in the year on financial statements and the auditor's annual report, which covers the responsibility to provide commentary around value for money arrangements. Statutory recommendations tend to be more serious and these can be issued at any time. The report largely focuses on any key recommendations where significant weaknesses are identified or any improvements are raised.

P Cuttle confirmed that no statutory recommendations were raised for the year and no key recommendations were identified. The document is for information and provides the Committee with assurances on messages that should be received through other forums and sources. Areas highlighted are around financial sustainability and that DBC is well placed despite the challenging environment with a good level of reserves and saving plans are lower than some other councils. The Council are urged to not be complacent regarding its financial position.

P Cuttle advised that none of the 3 recommendations were significant and that not acting upon the first 2 recommendations would not impact the Council's ability to deliver its services. On the third recommendation regarding procurement, this should be implemented to help with transformation and savings programmes that the Council is looking to deliver.

The Chair stated that it would be beneficial for the agenda to state if documents are for information or approval.

Cllr Douris commented on councils that have had financial issues and noted that these were due to a failure of the Audit Committee to challenge what has been presented by officers. Cllr Douris noted that they are receiving the validation of the work completed by officers over the years and that the action is therefore to be aware of what is said in the report. On the internal audit, Cllr Douris suggested that if a manager objected to a recommendation to the report then they would be summoned to the Committee to explain this further.

Cllr Birnie advised that the audit is historic and can't look forward to what the new administration may look to do. P Cuttle commented that there is a degree of forward-looking work in terms of financial statements.

N Howcutt explained that all internal reports come with a recommendation on what the Committee will do and this can also be included on external reports. N Howcutt noted that most reports that come to the Committee are for review, scrutiny and challenge to gain assurance. On looking ahead, N Howcutt noted that auditing is carried out on an annual basis and part of the audit is to review the medium-term financial strategy, which is the sustainable strategy for the next 3-5 years, and the auditors have assessed whether this is robust, and the governance structure in place should provide assurance that decisions are in the right governance framework.

Cllr Stevens commented that he would hope N Howcutt, as the Section 151 officer, would be able to raise if he was not comfortable signing off a report. N Howcutt confirmed that all reports that go to Cabinet have Section 151 comments included and that if he felt actions were making the Council financially unsustainable then there are other measures that he would be duty bound to put in place.

Cllr Freedman referred to comments on the external report, noting that whilst it contains positive news, it should be critiqued where necessary. Cllr Freedman noted the procurement arrangements and monitoring of contract terms, as highlighted in both the external report and internal report recommendations. Cllr Freedman agreed that these areas should be improved.

The Chair commented that questions could be submitted ahead of the meeting to allow officers to prepare and suggested that they not page-turn the report during the meeting. N Howcutt advised that the previous committee had discussed having as many questions raised ahead of the meeting, particularly those of a more technical nature, to allow officers to prepare their answers, and he recommended that they find a balance between pre-submitted questions and organic scrutiny and challenge during the meeting. N Howcutt suggested that this would likely evolve and that the Chair could take a lead on how he would like to proceed.

The Chair referred to the recommendation as detailed in the previous minutes regarding submitting questions before meetings and that he would like to see some discipline around questions to ensure that officers can arrive prepared.

Cllr Douris advised that most overview and scrutiny committees have a coversheet to the agenda that includes a recommendation and key highlights. Cllr Douris noted that this was not included in the meeting's agenda coversheet and recommended that the coversheet be provided going forward. N Howcutt confirmed that all internal reports will use an identical template and that a coversheet can be provided for the internal and external audit reports. Cllr Douris suggested that this would be helpful, particularly given the new members of the Committee.

The Chair queried who owns the recommendations made within the external report and if any other scrutiny committees would cover these. F Jump advised that a number of recommendations relate to reports that will go to other scrutiny committees so there will be further follow-up.

Cllr Elliot noted that the external report is an unqualified report and that the Committee did not need to spend further time going into it in detail.

Cllr Douris proposed that the Committee accept the auditor's report and note the comments made within. The Committee approved the proposal.

The Chair asked if there was any other business.

F Jump commented on the next meeting, noting that the deferred items will be included in the agenda and it was recommended that there also be a focus on training, roles and responsibilities and the Committee's terms of reference. The Committee approved the recommendation.

Cllr Douris suggested that any training be flagged to Cllr Taylor, Chair of the Member Development Steering Committee. N Howcutt advised that it has already been highlighted in the member induction that training will take place as part of the Audit Committee in addition to providing other training sessions.

There being no further business, the meeting was formally closed.

Agreed actions

- To bring Committee terms of reference to July meeting for discussion. (F Jump)
- To bring proposal on independent appointees to July meeting. (F Jump)
- To update 'suggested' recommendations to 'should'. (P Lazenby)
- To discuss publishing of final internal report and receiving 2 final outstanding reports. (P Lazenby & N Howcutt)
- To ensure all reports have a coversheet. (N Howcutt)
- Update to the format of the agenda – when submitting reports, explain what is required of the committee (e.g., For Information – please acknowledge receipt and provide clarification questions only. For Review – please review and provide comments and corrections for consideration. For Acceptance – please sign off this document as acceptable or otherwise provide corrections.)
- Include a question sheet with each document asking committee members to provide written questions for consideration. Assuming documents are issued 10 working days before the meeting then questions need to be returned 3 working days before the meeting, for officers and agents to be able to prepare replies. Question Sheet to include:
 - Document title

- Date of Meeting
- Reviewers name
- Table with 4 columns: Page number plus paragraph number; Question; Response; Responder name

The meeting ended at 8.44 pm.