

MINUTES
AUDIT COMMITTEE
26 JULY 2023

Present:

Councillors: Stewart (Chair)
Douris
Elliot
Birnie
S Hobson
Reynolds (Vice-Chair)

Officers: F Jump Head of Financial Services
J Bowden Trainee Accountant
B Hosier Head of Commercial Development
L Jugoo Empty Homes Lead Officer
T Angel Democratic Support Officer

Others: Chris Harris (TIAA)
Emma Boardman (TIAA)
Ajay Jha (Grant Thornton)

The meeting began at 7.28 pm

1 APOLOGIES FOR ABSENCE

Apologies were noted from Philip Lazenby, TIAA.

2 DECLARATIONS OF INTEREST

There were no declarations of interest.

3 MINUTES AND ACTIONS

The minutes of the previous meeting were formally approved as an accurate record.

The Chair confirmed that all members had received the question sheet to submit questions in advance. Cllr Birnie advised that he had not received this and suggested that he preferred to ask questions during the meeting. The Chair stated that the sheet was just to provide members the opportunity to submit questions in advance and allows officers time to prepare, though questions can also be asked during the meeting. T Angel confirmed that she would check the circulation list.

It was confirmed that all actions were complete or would be addressed during the meeting.

ACTION: To check circulation list includes all members (T Angel).

4 PUBLIC PARTICIPATION

There was no public participation.

5 STRATEGIC RISK REGISTER Q4 2022-23

F Jump presented the overview, noting that a strategic risk register is maintained for the authority and captures what the strategic leadership team considers to be the key risks facing the Council. The status of the risks is updated on a quarterly basis and the report is brought to the Committee for comment before being taken to Cabinet for approval.

F Jump advised that the Council has been through a process to update its strategic risks over the last 12 months with advice taken from TIAA and in consultation with senior officers. The result of this has been a series of revised risks as set out in the report, each of which are owned by a member of the senior leadership team. The individual officers update the status of the risk on a quarterly basis and the update is then brought to the Committee. F Jump noted that an explanation of the scoring system was appended to the report.

Cllr Birnie referred to page 14 of the report and the comment on the risk of not being able to deliver safe and good quality homes, which is marked as red. Cllr Birnie also commented on financial resilience, noting that it states that recommendations will come in July 2023 and asked where these recommendation are.

F Jump advised that the risk on providing safe and good quality homes is currently red as this is in reference to associated consequences of this risk, so if safe and good quality homes are not delivered then there is a potential risk to life and the health and safety of tenants.

Cllr Birnie referred to page 22 of the report, noting the comment that the HRA is being closely monitored as part of the mitigation strategy and suggested that this is not an effective strategy in maintaining safe and quality homes. Cllr Birnie suggested that, given the feedback he receives from residents, the main concern is Osborne and he was unsure why sacking Osborne is not listed as a possible mitigation.

F Jump commented on the monitoring of the HRA, explaining that this is in relation to the risk around weakening financial resilience and that the referral to close monitoring is around the financial position of the housing revenue.

Cllr Birnie asked F Jump to explain to the Committee the issue regarding the financial state of the HRA. F Jump advised that towards the end of the last financial year, there was an increase in expected repairs and maintenance costs in the HRA, which

had a detrimental effect on the overall financial position of the HRA. F Jump noted that it was a large increase and reflected the increase in costs that are being seen as well as the increased programme of work as the Council looked to address issues across the housing revenue.

On the risk of failure to deliver safe and good quality homes, F Jump agreed that monitoring alone does not mitigate this and she noted the various actions taken by the Council as listed in the risk register, including the work on the housing transformation improvement programme.

On the recommendation referred to on page 14 of the report regarding financial resilience, B Hosier suggested that this is a status update on the total operating model. F Jump advised that she is yet to see this and that she would seek a revised update on when this is expected. Cllr Birnie asked that this be circulated to the Committee when they are received given that the next meeting wouldn't be until September.

ACTION: To circulate update on recommendations regarding the Total Operating Model for the HRA as referred to on page 14 of the report (F Jump).

Cllr Birnie referred to page 26 of the report regarding Hemel Place, noting the risk on the engagement of the voluntary and community sector to support place making. Cllr Birnie suggested that this should be a higher risk given comments made at SPAE regarding the dissatisfaction with the Place Strategy as it does not include adequate consultation with residents, noting that only 480 residents were consulted. Cllr Birnie suggested that it is a top-down strategy and that he is concerned about what is being developed within the residential community.

F Jump commented on the engagement, noting that the ordering of the control within the strategic risk register doesn't indicate the relative level of priority. F Jump advised that the member's comments had been made at other committees and that she assumed feedback was provided as well as taken forward by James Doe so the member should receive updates on what is being done to address this.

Cllr Birnie remarked that the report doesn't appear to include any mitigations regarding the Place Strategy and appears to be complacent in terms of risk.

Cllr Birnie commented that the Place Strategy appears to have no cultural component to it, as mentioned by residents, and that this is not listed as a risk. Cllr Birnie noted the amount of money being spent on the Place Strategy and queried what it will deliver if there are no cultural features.

F Jump stated that the comments will be noted as part of the response and suggested that the response be updated before the register is sent to Cabinet.

Cllr Douris commented that the positioning of items in the risk register is subjective and suggested that it was unfair to ask F Jump to respond on them all given that they do not fall under her remit. Cllr Douris advised that the paper is on behalf of the portfolio holder and suggested that they should be present at the Committee to respond to questions.

The Chair confirmed that all questions and responses would be collated, noting that he has prepared his own questions for which he has received draft responses. The Chair advised that, as part of this process, F Jump and the team have reached out to officers and will reach out to respective portfolio holders before responses are brought back as part of the minutes.

Cllr Douris commented that the responsibility for the creation of the strategy remains with the portfolio holder. The Chair confirmed that they will be asked the question from the member.

Cllr Douris referred to page 14 and other pages of the report, noting the comment regarding 16 being the inherent score and asked what relevance this has.

F Jump stated that the intent of the wording was to make the methodology clear to those unfamiliar with it. On the inherent risk score, F Jump advised that this is to reflect the impact if no actions were taken to mitigate the risk. As a 4x4 risk-scoring matrix is used, it is expected there would be a high inherent risk associated with all strategic risks.

Cllr Douris queried the starred mitigating action on page 21 of the report.

F Jump explained that there is a threshold within the risk reporting system that assigns a star to show that they are doing well in terms of mitigations. F Jump confirmed that further explanation on this could be provided in future updates.

Cllr Douris referred to page 27 of the report and the reference to interims. Cllr Douris asked how many interims there are at present and how many are in senior positions.

F Jump advised that she could not provide the total number of interims and suggested that they currently have a full complement of permanent staff in the corporate leadership team, bar one, and that she would check to confirm this.

ACTION: To check number of interim staff (F Jump).

The Chair thanked F Jump for the responses provided to his pre-submitted questions. Cllr Birnie queried when these responses would be available to read. The Chair confirmed that the responses would be put together in the pack as part of the minute of the meeting.

**SUMMARY INTERNAL CONTROLS ASSURANCE (SICA) REPORT
AND AUDIT PLAN UPDATE**

C Harris presented the report, noting the issued note on the failure to prevent fraud offences made in the 2023 publication and that these notes are available for members to see.

On the Empty Homes Report, C Harris noted the reasonable assurance weighting and advised the important recommendation and operational matter.

Cllr Douris referred to the key strategic findings and noted his concern about the grammar used. Cllr Douris asked if the document is up to date or should be up to date, stating that the note doesn't currently reflect the timeliness of the up-to-date-ness.

F Jump suggested that the procedure is expected to be up-to-date and reflect current practice.

Cllr Douris stated that the note should therefore read that the document should be kept up to date.

ACTION: Key strategic finding to be updated to read that document should be kept up to date.

Cllr Elliot commented that they recognise that Osborne have been dysfunctional, though they have improved and noted that they are now down to less than 0.5% of properties. Cllr Elliot advised that he has seen properties left in a poor state by tenants and that it can take several months to rectify this and that he felt the Empty Homes team do a good job in turning round properties. Cllr Elliot suggested that devoid properties are only a small percentage of the overall stock.

The Chair noted the recommendations in the report and asked why it has OEM (Operational - Effectiveness Matter) as a fourth category rather than just having three categories.

C Harris explained that OEMs are operational effectiveness matters and that they look to identify best practice items during the audit that may not warrant being an official recommendation but should still be raised for attention. C Harris advised that this is best practice to ensure that matters aren't lost in the report.

The Chair asked how many adopted general lease sheltered properties there are.

L Jugoo confirmed that the report should read 'adapted' and that this was a typing error in the report. It was advised that adapted properties can be general needs or sheltered accommodation. Last year there were only a few adapted properties re-let compared to the total number of voids. The adaptations could already be in place

and the applicant is housed according to the adaptation need. There are a small percentage of properties that undergo major refurbishment where adaptation work is carried out in the property, such as installing a lift or wet room. It was advised that around 30 properties were identified as adapted need last year and that there is a waiting list for those with adapted needs and there is limited stock that can accommodate these adaptations.

The Chair queried what happened to the 93 properties that were not re-let.

L Jugoo explained that it is a constant rolling number for empty homes and void properties. L Jugoo advised that, as of today, there are 78 void properties in the system, which could be due to major structural works to properties that are ready with appointments booked with tenants. All properties in the void system are closely monitored and are reviewed at each stage with Osborne being held accountable. It was noted that there was previously a high level of void properties with Osborne and today there are currently 20 active void properties undergoing repairs, which is a considerable improvement.

Cllr Douris commented on OEMs not being recommendations and instead being suggestions for good practice and suggested they be worded differently so they are clearly identified as such and not as a criticism of officers' work.

C Harris next looked at procurement, noting that this had received substantial assurance with three routine recommendations made.

The Chair asked how many Teckal companies the Council operates.

B Hosier advised that the Council has joined one Teckal company for building control and that this is the only one to date.

The Chair referred to a pre-submitted question regarding handing over contracts into service.

B Hosier explained that they support internal clients to go through the commissioning procurement process and that contract management is then down to the clients to undertake. It was noted that one of the routine recommendations in the report is that there is no performance management of contracts.

Cllr Birnie noted the suggestion by the Chair to pre-submit questions to officers to receive a more detailed answer and help speed up the meeting. Cllr Birnie advised that in other committees officers are asked to circulate responses to all committee members and suggested that questions and answers should be circulated to the Committee to ensure all members see them ahead of the meeting.

The Chair noted that members receive papers 7 days in advance of the meeting. Cllr Birnie stated that questions and answers should be circulated as and when they are answered rather than just going to the person who asked the question.

Cllr Elliot suggested that it would be helpful to see responses once they have been received.

The Chair confirmed that the complete set of answers that have been answered will be included within the minute.

F Jump confirmed that responses could be circulated to all members as and when they are provided. F Jump advised that she would look to get answers out as soon as possible, though this may be close to the meeting.

C Harris then look at housing rents, noting the reasonable assurance with one routine recommendation.

Cllr Elliot advised that they have at least 10,000 tenants and asked what percentage are likely to be in arrears.

F Jump advised that the debt write-off is around 1% and that she would provide the exact amount.

Cllr Elliot commented that the low number is a tribute to the officers who manage this. The Chair agreed with the comment.

ACTION: To provide percentage of tenants in arrears (F Jump).

Cllr Douris asked if there is a de Minimis figure that they write off, suggesting that there may be a point where it is uneconomic to chase a particular debt.

F Jump apologised that there was not a representative from the service to respond and suggested that there is de Minimis and it would be considered as part of the write-off process.

F Jump noted the amendments to the general audit programme for approval. The proposal is to increase the scope for health and safety audit work being carried out in respect of the HRA to look at health and safety compliance of contractors. In order to stay within the allocated budget for the year, the proposal is that the Council's response to the Building Safety Bill is put back to next year.

The Chair proposed that the Council's response to the Building Safety Bill be put back to next year and this was seconded by Cllr Douris. The motion was approved.

C Harris next looked to appendix C and the summary of recommendations that are past their proposed date.

Cllr Reynolds referred to the planning enforcement piece, noting that the next update is due to be on the system by Q1 2023-24 and he commented on the time this has been open.

F Jump agreed that this item has taken a long time to implement due to a system access issue that wasn't resolved in good time. The issue has now been resolved and will now be part of Q1 2023-24.

Cllr Reynolds asked for the reason behind the system access issue.

F Jump explained that this was an operational matter and that the responsibility for recording the risk has transferred between teams.

Cllr Douris asked if the final report disappears once it has been produced.

C Harris confirmed that outstanding recommendations currently appear red and if they are actioned then they won't be reported as they will be cleared. It was noted that only red items are brought to the Committee to highlight the remaining risk and ensure that action is taken.

C Harris next looked at the draft indicative audit plan for 2023-25 and the annual plan for 2023-24.

F Jump confirmed that the annual audit plan was included as a for information item for the Committee.

It was noted that there will be further opportunities to reshape the plan in the next cycle. C Harris explained that it is subject to changes and amendments as risks change throughout the year.

7 EXTERNAL AUDIT ANNUAL AUDIT PLAN 2022-23

A Jha took the report as read, noting the significant risk areas as management override of controls, valuation of land and buildings and the net pension fund liability.

Cllr Birnie commented on the list of assets under the valuation of land and buildings and asked if this is the same asset audit they were told would take place this year to include land.

F Jump explained that this refers to the audit of the Council's published financial accounts and arrangements for producing these. Assets include all Council assets rather than a specific internal-facing review and is part of the overall external audit of the Council's financial accounts.

A Jha advised that some misstatements are above the headline materiality, which is currently £3.5m, and this accounts for 2% of the current year's gross operating costs for the year. The initial risk assessment for value for money audit has also been conducted and no significant weaknesses have been found in the planning at risk assessment stages.

A Jha referred to two new accounting standards, ISO 315 and ISO 240, noting that an assessment of internal controls of the IT infrastructure and systems is now required and that the assessment of the general ledger system will be conducted.

Cllr Birnie asked if the auditor's fees have increased.

A Jha advised that the fee has not increased significantly.

F Jump suggested that fees have increased by a reasonable amount over recent years to reflect the increased scope of the audit work being carried out and that the Council should expect an ongoing increase in fees.

Cllr Elliot asked if the £82,000 is the set fee for each year or is an estimate of the actual work that will be carried out.

A Jha stated that, at planning stage, they estimate the fee that they will be billing the Council for the year and that the £82,000 will be the fee for the year unless there is a change in scope or additional work is required.

Cllr Elliot commented that the fee may increase to £150,000 due to the issues with other councils.

F Jump explained that there is a scale fee set by the PSAA and as the work is carried out, external audit colleagues will feed back on additional work that is required and variations to the fee. The PSAA will then give a final verdict on the final fee and this will have to be paid. On the £150,000, F Jump explained that this is in reference to seeing an increase of around 150% in terms of the levels of fees to reflect the increased scope of audit work.

Cllr Birnie suggested that the strong performance of the Council in recent audits should mean that fees increase less slowly. F Jump advised that this strong performance does not mean there is a reduced workload for external audit colleagues.

A Jha advised that the Council will receive the scale fees in November 2023 and this will be made publicly available.

The Chair asked if the resource is in place to carry out the external audit. A Jha advised that the Council is one of Grant Thornton's stage 1 audits and gets the benefit of being very good with financial statements.

A Jha referred to the additional work regarding the IT infrastructure, noting that the general ledger system and payroll system have been identified as the key systems and a design assessment will be performed to understand the processes and controls in place.

Cllr Birnie asked if the Council outsources its payroll.

F Jump confirmed that the Council has a small in-house to handle administration and they utilise MHR for the provision of payroll services.

Cllr Birnie asked if the hybrid payroll system increases the auditing work.

A Jha explained that they don't have to technically test the payroll system and that the work is around understanding the controls around it. If the outcome of the assessment requires more work then the scope will be increased.

Outcome

The committee noted the external audit plan for 2022-23.

8 AUDIT COMMITTEE GOVERNANCE UPDATE

F Jump presented the update, first noting the review of local authority audit arrangements, the Redmond Review. A key recommendation from the review was the appointment of independent persons on an audit committee and F Jump noted her proposals on how to address this. F Jump asked the Committee for its approval to proceed to appoint these independent persons based on the process outlined in the document.

F Jump referred to the Audit Committee Terms of Reference, noting that if the Committee agrees to the appointment of independent persons then it will be relevant to update the terms of reference to reflect the membership.

On independent persons, F Jump advised that appointing these is considered best practice and that they are likely to be required to appoint them in future so the recommendation is to start the process now.

Cllr Birnie commented on the recommendation for two independent persons and asked if the proposal is for just one.

F Jump clarified that the recommendation is for up to two persons and they would appoint up to two if they have suitable candidates.

Cllr Birnie asked if the independent persons would need to be paid.

F Jump confirmed that the position is not salaried and that the individuals could claim reasonable expenses for committee attendance.

Cllr Elliot felt it would be challenging to find people to act as an independent person on the Committee voluntarily. Cllr Birnie agreed with the comment.

F Jump asked C Harris what arrangements are in place at other local authorities. C Harris advised that some pay individuals a lump sum to attend whereas some sectors are entirely made up of independent persons, such as the police, and have good representations of people who want to be on the committee. C Harris suggested that they look to the market and potentially review the process if they are unable to attract relevant candidates.

Cllr Birnie commented on the person specification for independent persons and suggested that 'or the councillors' auditors' be added to items 4 and 5.

Cllr Douris noted a typo on the penultimate line on page 104. F Jump confirmed she would correct this.

Cllr Douris asked if they should look to recruit independent persons from outside of Dacorum to allow for a more impartial view. Cllr Birnie agreed with the comment and suggested that having someone local to Dacorum could be counterproductive.

F Jump advised that, when looking at other local authorities, they tend to look at individuals who know the local area but she also acknowledged the potential advantage of broadening the scope.

C Harris commented that they would also need to consider the travel required and suggested that they take any geographical boundaries out of the description.

The Chair suggested that they move being a Dacorum resident from essential to desirable, Cllr Birnie suggested that it be removed altogether.

ACTION: To update independent person's description and remove requirement to be based in Dacorum (F Jump).

The Chair agreed that they first test the market and review the description if they are unable to attract suitable candidates.

Cllr Douris commented on the interview panel and suggested that it would be helpful to have the Chair of the Audit Committee and one other member. The Chair agreed with the suggestion.

The Committee accepted the proposal.

Outcome

The Committee approved the amended Audit Committee Terms of Reference.

9 WORK PROGRAMME

C Harris advised that the internal audit plan should read 2024-25, not 2023-24.

There were no further changes to the work programme.

10 ANY OTHER BUSINESS (AOB)

Cllr Douris commented on the upcoming training, advising that he had attended the most recent Member Development Steering Group (MDSG) meeting and that Cllr Taylor seemed to indicate that he wanted a significant level of training, including the Audit Committee. Cllr Douris suggested that they should not duplicate training and asked that audit training not also be done at MDSG. The Chair confirmed that he would speak to Cllr Taylor about this.

F Jump commented that any future finance training for members will not be a duplication.

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

ACTION: To discuss audit or any other duplicated training with the Chair of Member Development (Cllr Stewart).

The Meeting ended at 8.50 pm