

## MINUTES

### AUDIT COMMITTEE

20 SEPTEMBER 2023

**Present:**

**Councillors:** Stewart (Chair)  
Guest  
Birnie  
S Hobson  
Reynolds (Vice-Chair)  
Symington (Portfolio Holder, Corporate & Commercial)

**Officers:**

F Jump	Head of Financial Services
N Howcutt	Chief Finance Officer
C Silva Donayre	Strategic Director, Corporate & Commercial
C Dempsey	Financial Planning & Analysis Manager
L Schultz	Financial & Regulatory Accounting Manager
A Livingstone	Valuation & Estates Manager
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 for absence were received from Councillor Douris and Elliot.

Councillor Guest substituted for Councillor Douris.

#### **2 DECLARATIONS OF INTEREST**

There were no declarations of interest.

#### **3 MINUTES AND ACTIONS**

Cllr Birnie noted an error on page 12, paragraph 7, where 'councillors auditors' should read 'councils auditors'. TA advised she would amend the minutes.

The Chair ran through the action point responses and asked members if they had any questions.

Cllr Birnie raised an issue with the response regarding the percentage of tenants in arrears. A Livingstone clarified that the aged debt included all types of payment plan for commercial properties, with payments monthly instead of quarterly up-front being classed as a payment plan, with Cllr Birnie highlighting that the overall figure of 41%

presented in the report was not helpful in identifying the seriousness of indebtedness without the more detailed breakdowns. N Howcutt suggested it could be broken down further in future if required.

#### **4 PUBLIC PARTICIPATION**

There was no public participation.

#### **5 SUMMARY INTERNAL CONTROLS ASSURANCE (SICA) REPORT**

P Lazenby explained that three audits had taken place to date, with Housing and Repairs and Maintenance, and ICT Document Management System both provided with reasonable assurance, and Commercial Rents, which was provided with substantial assurance, and that he had no overriding level of concern in any of those areas. He highlighted the priority two recommendation for Housing which had been disagreed by management, where the risks on the register had been identified as a little light, pointing out the new council directorate for Housing and Properties Services and the emphasis placed on the safety of housing, but acknowledging that the management response regarding the strategic risk was entirely valid. He suggested that it was something to remain aware of. P Lazenby noted that all actions for ICT following their audit had been completed in January 2023, and any annual actions would be re-checked in January 2024 and reported back if not completed. The Commercial Rent audit was taken as read, with P Lazenby praising the council for its handle on commercial rents and effective operation of controls. P Lazenby explained that progress in the annual plan was as expected due to the time of year, and that there would likely be a large number of reports presented at the next committee meeting. In regard to page 16, he highlighted that a small number of recommendations had been made that were 'sticky' but that he was hopeful progress would have been made towards completing and evaluating the related actions.

Cllr Guest referred to page 23, the ICT Document Management System, asking whether leaver accounts were disabled the day after leaving the council. N Howcutt noted that in the absence of a representative from the service, the question would need to be taken away for an answer, which would then be emailed to all committee members. Cllr Guest further asked whether cyber-attacks were on the risk register, and what mitigations there were. N Howcutt explained that cyber-attacks were a strategic risk that had been reported to the group in the previous month, with the next quarterly report expected in November. P Lazenby added that it was an audit that had been carried out in the past, and that he would expect to carry out again in the future.

Cllr Birnie referred to page 19, item 6, and wondered if the building safety audit included all housing stock. It was confirmed that it did.

Cllr Birnie referred to page 22, and asked whether the audit only looked at the council plan for maintenance, or also its implementation and outcomes. P Lazenby confirmed

that implementation was looked at within the timeframe as contracted, including the regularity of reporting, timeliness of reviews, and escalation. It was noted that safety concerns formed part of the reason for the audit, so had been in consideration at all stages.

Cllr Birnie referred to page 34, in relation to Hemel Place, and the phrase 'action taken to date and any extant risk exposure', noting that the MOU (Memorandum of Understanding) was under consideration by all parties in Hemel Garden Communities. P Lazenby clarified that the risk had been identified, leading to the recommendation, with no satisfactory assurance yet received from management regarding the resolution of the underlying risk or completion of the action, and confirmed that it would be brought to committee until resolved.

Cllr Reynolds referred to page 36 and the e-records, wondering whether the log of destruction had been set up and it was just the review that was outstanding. P Lazenby clarified that management had indicated the action was completed, but the efficacy needed to be reviewed before the recommendation was removed, which was scheduled for November, and that the issue would be raised at the subsequent committee meeting if the resolution was not found to be suitable.

Cllr Birnie questioned when the internal audit might be expected to be complete. P Lazenby explained that in a good year, the majority of audits would be expected to be complete in February in order to form the Head of Internal Audit opinion, which wasn't always possible, but that 90% to 95% of audits, including all risky areas, would be complete by then, with any significant movement updated to the audit committee in March. P Lazenby agreed that the audit plans degree of completion was something the committee should be keeping an eye on and challenging him on. Cllr Birnie wondered how the timeline fitted with the Officers' timetable. N Howcutt stated that the internal audit programme was generally approved by the committee in February or March, after recommendations from TIAA and officers in terms of workload, and it was usually possible to complete the whole programme as set out. P Lazenby added that issuing limited or no assurance reviews prior to year-end gave a chance for rectification actions before year end, although he emphasised that these were rare for Dacorum.

The Chair referred to page 22, recommendation 2, and wondered what risks had been identified in relation to housing repairs and maintenance. F Jump noted that there was no representative present, but the question could be taken back to them and the answer circulated to committee members, adding that TIAA had provided an indication of the kind of risks involved as part of a response to pre-meeting questions. The Chair stated that he would like to see the risk register and to know there was a governance wrap around ensuring mitigation measures were put in place and were effective. P Lazenby identified that there could also be an impact in relation to areas like mould. F Jump confirmed that capturing the risks in question was a requirement of the service's planning process, and that a list of these could be circulated. A

Livingstone highlighted that there had been a statement put on the council's FOI (freedom of information) common questions regarding RAAC (reinforced autoclaved aerated concrete), with the commercial estate clear, and three identified within the housing estate where mitigation measures had been taken.

The Chair referred to page 30 regarding the identification of asset owners, with A Livingstone confirming that the statement needed clarification, and that all assets were on the mapping register with types identified, although there were not separate registers for each. She added that a strategic asset review was being commissioned and had been out to tender, with the order currently being placed. P Lazenby noted that the reference was primarily to highlight the age of the document. N Howcutt emphasised that the asset review was also in relation to maximising their use and looking for opportunities or areas needing investment. Cllr Birnie wondered how accessible the review would be to all parties. N Howcutt explained that there were a number of work streams involved that would complete at different times, leading to proposals as part of an overall asset strategy that would go through the usual council mechanics, starting with scrutiny and cabinet. A Livingstone clarified that some commercial assets would be confidential, so commercially sensitive aspects would be within the confines of the council.

The Chair referred to page 31, and queried why the health and safety audit for site works commenced had been postponed based on the work plan. P Lazenby explained that there had been some safety work going on at the time that was considered to be a priority stream as a predicated requirement for some other work streams, and the delay had been relatively low impact overall. It was confirmed that the delay would not affect the ability to complete.

The Chair noted that most actions were listed as having a due date of 31st December, and asked why this was the case. P Lazenby acknowledged the concern, but noted that there were a lot of recommendations that were actioned and completed which were not visible, with the focus on things that were going wrong to keep documents concise and relevant. N Howcutt explained it can be a long winded process, and that three of the five outstanding recommendations were related to Hemel Garden Communities, and this was due to the timescales of partnership working. C Silva Donayre added that the strategic leadership team also received periodic reports to oversee and ask the questions if needed.

Cllr Birnie asked what the nature of the delay in signing the MOU was. N Howcutt confirmed that it was predominantly understanding the future to ensure the MOU would still be relevant in five or ten years' time for all parties involved. P Lazenby added that the important part was the committee being aware of the situation in order to consider risks and exposure as a result. N Howcutt noted that currently the risk was limited, and worthwhile if the outcome was then sufficient to manage an increased level of risk in the future.

The Chair said he would like to see a consolidated list of actions from the current financial year just to ensure there wasn't a trend of dates being pushed back. P Lazenby agreed that this could be provided, although it was noted that the audits and recommendations being discussed would not be included in that list.

### Actions

- ICT service to confirm email whether leaver accounts are disabled the day after leaving the council.
- T Angel to forward a copy of the report from the previous committee meeting regarding cyber-attacks to Cllr Guest.
- F Jump/Housing service to circulate a copy of risks identified in relation to housing repairs and maintenance.
- P Lazenby to provide committee members with a consolidated list of actions completed and outstanding from audits in the current financial year.

## **6 FINAL OUTTURN 2022-23**

F Jump explained that the report consisted of the three reports relating to the last financial year and its closure, showing a summary of the financial performance of the council across revenue and capital for 2022-23. She said this was produced as part of the management accounts, providing more discretion over presentation compared to the statement of accounts, which had to be produced in line with accounting standards. She explained that the audit committee had delegated authority for any final movements to and from council reserves that were required to close accounts, and that was the purpose of the report being presented. F Jump highlighted recommendations relating to the general fund, with a request being made for the surplus to be moved to the council's reserves, and relating to housing revenue, with a small movement to reserves in relation to lift replacement. She also explained that a drawdown of £1.5 million had been requested relating to the HRA (Housing Revenue Account), based on increased demand and inflation, noting that a similar request had been made and approved earlier in the year, but that the end of year position was such that the additional request was being made. The rest of the report was taken as read.

Cllr Birnie referred to page 40, paragraph 1.2, bullet point 2, regarding the HRA reserve, and wondered how much would be left in the reserve after the second drawdown. F Jump confirmed that there would be around £150,000 left, from the original figure of around £2.5 million. In regard to bullet point 4 of the same table, Cllr Birnie asked how much had so far been spent on HGC capital projects. F Jump stated that at the end of 2022-23 around £117,000 had been spent, primarily relating to improvements to the Nickey Line.

Cllr Guest followed up with a question regarding measures that had been taken to prevent such drawdowns recurring. F Jump identified that forecasts for the current year were being made in close collaboration with the housing service to try and avoid

it becoming a recurring issue, although demand and rising costs were still there, adding that the quarter one financial report had been taken to scrutiny and cabinet with pressure still expected, but work ongoing to bring the situation in line.

Cllr Reynolds asked how the reserve was replenished, and F Jump explained that it had been through surpluses on the housing revenue account in previous financial years, which seemed unlikely to occur in the current climate.

Following on from Cllr Reynolds question, Cllr Birnie wondered how the situation was going to be managed. F Jump noted that the housing revenue account maintained a working balance of around £2.9 million which was not touched except in emergency situations, and that reserves being referred to were separate to this. Cllr Birnie stated that it would be nice to have a list of actual reserves and expected calls on them, with F Jump highlighting that a list of all general fund revenue reserves was appended to the report, including information on the HRA reserves, although acknowledging that it could be made clearer. N Howcutt agreed the HRA was the biggest financial risk, and that there was no simple solution due to rent being capped by government, so mitigations such as methods of lowering maintenance demand were being explored, with the HRA business plan due to be published in January/February.

Cllr Reynolds queried what would happen in the event of a similar situation this year with less reserve funds than were required, with F Jump explaining that action would be taken before the point where the working balance would need to be touched. N Howcutt added that HRA was a growing, national issue.

Cllr Birnie referred to page 42, 2.6, paragraph 4, regarding a payment of £8 million on the collection fund, and wondered if the government refund of it was automatic, with F Jump briefly explaining the circumstances and concluding that the refund was automatic, but it was via a slightly convoluted mechanism of payments and grants.

Cllr Birnie referred to page 43, 4.2, and asked whether the additional depreciation cost was due to a revaluation or physical expansion of housing stock. F Jump confirmed that it was due to a revaluation.

Cllr Birnie referred to page 45, general fund capital major variances, bullet point 9, and enquired what type of project Aragon Close was. F Jump noted that it was move-on accommodation.

The Chair wondered if there were areas where the HRA transformation programme could be saving money. N Howcutt confirmed it was a well advanced programme under the residence directorate with its own resources and governance structure, and had reported to scrutiny a week ago regarding outputs, including an increase in compliance across housing in terms of housing maintenance and upkeep. It was acknowledged that it was responsible for increased demand to an extent, but highlighted that it was now looking at developing new target operating models and

ways of working to provide efficiencies going forward, and N Howcutt suggested that the committee could ask for updates if it was considered that doing so would provide assurance.

There was a brief discussion of training available for council members, with N Howcutt noting that they would work with the member development steering group to develop sessions going forward, and that there would likely to be more training sessions at the audit committee as other subjects were investigated, with risk one that would be touched on this year.

The committee noted the report and agreed the following recommendations:

1. That the Committee approve the following reserve movement for 2022-23:
  - Transfer to the Savings Efficiency reserve of £250k relating to interest due to the Council from a loan to West Herts Crematorium.
  - Transfer to the Savings Efficiency reserve of £111k relating to the final surplus position on the General Fund for 2022-23.
  - A transfer to HRA lift reserves of £22k to support the cost of lift replacements in Council HRA properties.
  - A draw down from HRA revenue reserves of £1.459m to balance the outturn position for the Housing Revenue Account for 2022-23.
2. That the Committee review the Capital Programme Outturn for 2022-23.
3. That Committee review the balances on earmarked reserves as at 31st March 2023.

## **7 STATEMENT OF ACCOUNTS 2022/23**

P Cuttle took the report as read, noting that the length was due to the requirements of auditing standards, and highlighting on page 149 a reference to some items outstanding due to timing issues, with the majority of those now cleared, excepting some queries on the housing benefit expenditure. The letter of assurance from the county council auditor was identified as the most significant point, which would dictate whether the accounts could be signed, however P Cuttle stated that from his perspective the audit was complete, and the set of accounts up for approval was not expected to change. P Cuttle noted that there had been no recommendations raised in terms of control findings or weaknesses, and a single page of audit adjustments with only one disclosure item, which was indicative of a good standard of evidence and response to audit queries.

The Chair congratulated the finance team for all their hard work, and Cllr Symington added congratulations to Grant Thornton for completing the audit on time. N Howcutt also gave specific thanks to L Schultz and her team for their hard work.

Cllr Birnie referred to page 162 and queried whether there was not also a matter of value for money that also had not been dealt with. P Cuttle explained that value for

money was decoupled from the audit opinion, so commentary would be provided on value for money arrangements, but to a deadline three months after the signing of the audit opinion. Cllr Birnie wondered if clarification on the item could be provided. N Howcutt suggested that the VFM audit was to provide the wider public with independent scrutiny on the expenditure of money, noting that for the 2021-22 accounts it had taken longer than usual and had only been finally approved a few months ago, with development of the audit likely going forward. P Cuttle confirmed that the scope was prescribed by the National Audit Office, and that it was relatively narrow, so was probably most useful around financial sustainability.

The Chair noted that Ernst and Young's evaluation of the Herts County Council pension fund arrangements was outstanding, which could have a bearing on the accounts. Cllr Birnie highlighted that in his experience with CAD (Community Action Dacorum) it had been at least ten years and Herts County Council was still to provide a similar letter regarding one person who had transferred. N Howcutt acknowledged that the Herts pension fund administration was not performing strongly, but noted that they were also aware of the issue and were in the process of making changes and setting up a feedback group to try and improve performance going forward. P Cuttle warned that, to his knowledge, all other Herts audits were on 2021-22, with substantial, if not full, completion of the 2022-23 audit required to enable them to issue the letter, adding that it could take weeks or months and that they wouldn't issue a provisional letter due to the related risks.

The committee agreed to approve the letter of representation at Appendix B of the report, approve the statement of accounts for 2022/2023, and delegate to the Chair of the Audit Committee to sign the final accounts upon receiving the final audit opinion.

## **8 EXTERNAL AUDIT FINDINGS REPORT 2022-23**

This item was discussed alongside item 7.

## **9 TREASURY MANAGEMENT OUTTURN AND PERFORMANCE INDICATORS 2022/23**

F Jump explained that this item was one of three statutory reports to be brought before members in relation to treasury management activities, consisting of the treasury management strategy usually presented as part of the budget papers around February, a media update against the strategy, and the final performance report being presented. She further explained that treasury management activity covered the management of the council's cash balances, investment, and borrowing, and that the report was intended to measure performance against the strategy. Highlighted was a strong performance in investments due to large cash balances and significant increases in interest rates, with an average investment balance of £131 million, and an average rate of return of around 2%. F Jump also identified some

early repayments to the Public Works Loan Board where it was advantageous to do so.

Cllr Birnie wondered what the advantage of early loan repayment was. F Jump clarified that there had been a discount resulting in a lower level of principle repaid, and interest payments over the remaining loan period had also been avoided.

The report was noted by the committee.

## **10                    WORK PROGRAMME**

The Chair asked if there were any questions on the work programme.

Cllr Guest questioned if the committee ever did a deep dive/risk focus report. F Jump confirmed that the quarterly strategic risk register was brought to the committee for this purpose. Cllr Guest wondered if there was any focus on specific risks identified by the committee. F Jump noted that it wasn't an approach taken to date, but could be done if the committee felt it was beneficial. The Chair agreed that it might be useful.

Cllr Birnie identified that there wasn't much on the forward plan. The Chair explained that it only went to the financial year end and would then start again.

## **11                    ANY OTHER BUSINESS (AOB)**

The Chair raised a point regarding the way business cases were produced by the council and said he would like to have a meeting with the appropriate officer. N Howcutt noted that C Silva Donayre would be the person to speak to, and agreed to raise the matter with her.

### Action

N Howcutt to raise the Chair's question regarding business case production with C Silva Donayre.

The Meeting ended at 9.08 pm