

## AUDIT COMMITTEE

MINUTES OF THE MEETING HELD ON: 24 June 2020 via Microsoft Teams

### ATTENDING

#### **Councillors:**

Chapman (Chairman)  
Birnie  
Douris  
Elliot  
Silwal  
Symington  
Townsend

#### **DBC Officers:**

Nigel Howcutt – Assistant Director Finance & Resources  
Fiona Jump – Group Manager Financial Services  
Farida Hussain – Group Manager Legal & Corporate Support  
Matt Rawdon – Group Manager People & Performance  
Ben Trueman – Group Manager Technology & Digital Transformation  
Cassy O'Neil – Corporate Support Team Leader  
Marie Sells - Member Support Officer (Minutes)

#### **Outside Representatives:**

Amber Banister - Grant Thornton  
Sarah Knowles - Mazars  
Philip Lazanby - TIAA  
Jonathan Sims -TIAA

The Meeting commenced at 6.30pm

No.	AGENDA ITEM
1	<b>APOLOGIES FOR ABSENCE</b>  The Chair offered apologies for James Deane
2	<b>DECLARATIONS OF INTEREST</b>  There were no Declarations of Interest.

3	<p><b>MINUTES OF THE PREVIOUS MEETING</b></p> <p>The Minutes of the previous meeting held on 5 February 2020 were reviewed and agreed.</p>
4	<p><b>PUBLIC PARTICIPATION</b></p> <p>There was no public Participation.</p>
5	<p><b>EXTERNAL AUDIT – AUDIT PLAN ADEENDUM COVID-19</b></p> <p>ABanister from Grant Thornton introduced the report and as background explained this plan was originally presented in February including decisions that were made as result of risk assessment that took place in January. It is usual for this to be updated throughout the year as any changes occur. COVID-19 is a significant change, so has been factored in to the addendum that sets out how it will affect the plan this year. The pandemic is a risk at financial statement level. The response is twofold – set as significant risk for audit and sets out steps to be taken to respond to that. Some actions already underway including discussions with management. There will be further work on governance to ensure response remains robust.</p> <p>ABanister continued that they will be looking at financial planning pre and post pandemic to distinguish those Councils who were already in difficulty before the pandemic and those that were doing well and the pandemic has caused a road bump that there will need to be recovery from. Dacorum falls into later category.</p> <p>NHowcutt followed on from Ambers comment, adding this is something that Grant Thornton are putting to all their authorities. Our draft accounts will be published tomorrow. Tried to write statement of account and narrative, taking into consideration COVID 19 while still not knowing what the impact will be has been quite difficult. There is still a lot of uncertainty but we have increased our provisions to allow for what may be coming.</p> <p>CLlr Townsend commented that he assumed the external audit process would be kicked off through accounts, assumed this would come to meeting when we close down accounts so questioned why this was on the agenda now.</p> <p>NHowcutt responded that the purpose of this coming to the meeting tonight is to provide an addendum to the initial audit plan. This was on the agenda for the March meeting which didn't take place. This is to allow the Council to know what Grant Thornton are going to spend their time on and from a governance perspective to give a steer on what officers and the AC we should be focused on.</p> <p>ABanister responded that the actual audit process on accounts is not starting until next week. This addendum is due to an update to risk assessment, due to this being a significant event globally.</p>

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## INTERNAL AUDIT SERVICE REPORTS

S Knowles introduced the report, explaining that the first item is Capital Programme Report which starts on Pg.13. Good assurance report, no recommendations raised. One finding was noted due to one project selected for sample not having a fully completed capital bid which is required by the Council, but it was found that this is due to it being a historic budget process and since that time the process and governance has been strengthened, therefore this has not been raised as a recommendation but felt it should be noted within the report.

Cllr Townsend commented that as a general feature capital programmes tend to be late, would this have been picked up by this report?

S Knowles responded that they would have looked at budget setting and monitoring which would have incorporated if there may have been any delays. There were not any particular delays in the areas looked at.

Cllr Silwal referred to capital programme commenting that there is reference to five projects on pg.15 but he can only find four projects listed and so asked; what was the fifth project?

S Knowles responded that all 5 are included (2 were included under a single bullet point).

Cllr Silwal referred to there didn't appear to be a clearly defined structure in place for overall plan and individual projects.

S Knowles responded that the difference in the two is more to do how the reporting happens; the programme overall gets reported at a higher level where as individual projects are managed within directorates, so this is just how each one is reported.

F Jump commented to assure Members that correct level of scrutiny was applied for the item covered by the note in the report.

S Knowles moved on to Core Financials & Budgetary Control, advising that in the past few years have had some really strong outcomes so this year's piece of work looked at more of a self-assessment, sending feedback forms out to the service to see how they thought their controls were operating (see Pg.31) no recommendations to raise in these areas and able to give a good assurance.

S Knowles referred to Apprenticeship Scheme and Levy, advising this piece of audit work commenced just as we were entering lockdown so a different approach had to be taken on this with a different way of working, thanking the service for their cooperation. In terms of evidence received it was good to see. No recommendations raised in this piece of work and good assurance overall.

S Knowles introduced the Governance Role report advising this had two priority 2 recommendations, but overall substantial. The two areas highlighted were compliance with mandatory training and members register of interest forms. Both recommendations were accepted so no further comments.

BChapman referred to the 4 Councillors who had not submitted their forms in time and asked, what is being done about this?

Cllr Birnie picked up that the report states that the forms have now been returned.

Cllr Douris commented that in his role as Chair of Member Development Steering Group (MDSG) he is aware that there is some new software being introduced that will make the training much easier with the ability to log into the training programme and select the courses you want to go on. Will also detail those Members who have not completed the mandatory training. Will also allow for some remote training. Excellent piece of work which will benefit everybody.

N Howcutt urged all Members to make sure they attend mandatory training and also support colleagues to make that happen. We are looking at different ways of delivering that and feedback from members is always welcome. This is the first year of implementing mandatory training.

Cllr Symington wanted to follow up on a couple of things, one of notes in the report was it appeared to be the responsibility of the Chief Executive to send reminders to Group Leaders which she does not believe has happened.

C ONeil responded that this is a new reporting process, Members were given time to complete mandatory training following their appointment and as such Qtr 4 was the first circulation of reporting to the Chief Executive and Monitoring Officer. Given the current situation there has been some tolerance regarding completing mandatory training and additional sessions will be provided to give all Members opportunity to complete. There is a mechanism to escalate to Standards if required but efforts will be made to resolve before that is required.

Cllr Syminton referred to register of interest advising that recently tried to change hers and was directed to website to self-serve, but was not able to do so, it would not allow editing and that button required was not available on her account. This was reported to Member Support on 6<sup>th</sup> June.

C ONeil responded she would get that looked at as a priority.

S Knowles introduced Disaster Recovery and Website Accessibility, advising these are two ICT reports. Disaster Recovery had three priority 2 recommendations and two housekeeping recommendations. Website Accessibility two priority 2 recommendations.

Cllr Birnie expressed his disappointment regarding the outcomes in these two areas, advising that he was surprised to see that they were given substantial assurance ratings considering there are three significant findings in terms of disaster recovery and the additional two housekeeping. Cannot understand how can come up with substantial assurance under those circumstances.

S Knowles responded that the report is a summary of the culmination of their findings, a lot more is tested than what is seen in the report. It is a balance with mitigating circumstances, if there were not mitigations then that would raise concerns which would lead to a priority 1 due to a fundamental issue.

Cllr Birnie responded that the mitigation offered for the significant findings on Disaster Recovery, which he noted hadn't been updated since 2014, was that they would get on to it in August, expressing that he is unable to understand that leaving it until August gives any sense of urgency for something that is considered to be significant.

Cllr Birnie also referred to Website Accessibility and the fact that residents regularly report they cannot get things to work on a regular basis and he agrees with their concerns.

B Trueman responded as the Group Manager responsible for ICT to clarify that Disaster Recovery is different to Business Continuity. In this audit that Business Continuity Plan is what ICT does in terms of their own service delivery when they do not have access to technology – every department in the Council has their own plan for this. This is not to set out how ICT support the organisation through a recovery situation. The high level disaster recovery schedule being referred to as not having been updated since 2014 is a very specific document about what order we would look to restore services if we lost our network connections to the organisation. It had been through the update in 2017, BTrueman offered apologies that the update date had not been changed from 2014 to 2017 which was an oversight on part of officers.

Cllr Birnie commented that audit found that the staff induction process did not include disaster recovery.

BTrueman responded that annual training and testing on disaster recovery is run for the team.

Cllr Symington followed up commenting that the report is dated March 2020 and some of the timescales were for April/June 2020 and asked; have these actions already been taken?

BTrueman responded that anything dated June or earlier has already been completed.

Cllr Symington referred to Pg.84 (Website Accessibility) where it says that the Council is 93<sup>rd</sup> and asked, is that a centile or is that out of a specific number of authorities?

BTrueman responded it is a straightforward ranking.

Cllr Symington referred to matter of priority and timescale for fixing website, which is October 2020, commenting that timescale doesn't feel like it is being applied as a priority. There are often complaints about Planning Portal and the report also refers to underlined coding issues.

BTrueman responded to advise this audit refers to accessibility in terms of those who have visual and other impairments and how well the website is suited to them in terms of screen readers, clarifying that it does not refer to website usability.

Cllr Symington responded that the Planning Portal coding issue is specifically referred to in the report.

	<p>BTrueman responded that the underlying coding issues relate to accessibility and are due to this being 3<sup>rd</sup> party software and coding that we cannot access. Need to go back to supplier to ask them what they can do as it is not compatible with screen readers. October 2020 may sound like a long timescale but there is a lot of build and test to undertake in terms of accessibility to deliver this.</p> <p>SKnowles confirmed this audit referred to accessibility in terms of visual and other impairments, not the usability of the website.</p> <p>CLlr Birnie commented the website is not very useable for residents and Members alike, urging that internal auditors look at this on the next occasion.</p> <p>BTrueman responded that although this report this is specific brief in terms of accessibility, he would welcome detailed feedback from Members regarding usability.</p> <p>CLlr Douris responded to the comments from CLlr Symington and CLlr Birnie and responded that we should recognise that the website is an integral part of how we communicate with our residents, suggesting this comes back to either Audit or Overview &amp; Scrutiny to ensure the matters raised have been addressed.</p> <p>N Howcutt responded that he would ensure that is on the Finance &amp; Resource OSC forward plan.</p>
7	<p><b>INTERNAL AUDIT ANNUAL REPORT 2019/20</b></p> <p>SKnowles introduced the report as a summary of all the work carried out in 2019/20, culminating in internal audits opinion on the Councils framework of governance, risk management and internal control. Can be used to inform Governance Statement. On pg.95 you will see that the 2019/20 controls are substantial based on all the work carried out across all the audit plans, along with managements response to recommendations and whether they have been happy to accept and take forward for implementation.</p> <p>There are some benchmarking diagrams on pg.97 and a summary of the work done on pg.99 and pg.100.</p> <p>CLlr Townsend referred to internal financial controls and asked if the conclusion is based on the report that was presented in previous agenda item?</p> <p>SKnowles responded this is based on all the work that has been done throughout the year as set out on pg.99.</p> <p>BChapman wished SKnowles well for everything she has done and thanked her as her time working with Dacorum comes to an end. NHowcutt echoed those thanks.</p>
8	<p><b>TIAA – WELCOME TO THE NEW INTERNAL AUDITORS</b></p> <p>NHowcutt introduced two new members to committee, Phillip Lazanby – Head of Internal Audit and Jonathan Sims - Senior Auditor who will be working closely with Group Managers.</p>

NHowcutt handed over to PLazanby who personally introduced himself as Director of Audit at TIAA, living in Dacorum with a background of more than 20 years primarily in public sector but also private.

PLazanby then went on to present the plan, directing committee members to pg.110 which sets out the plan for the next year, with six audits to be delivered by end of Qtr2. He added that it might be fair to anticipate some slippage due to current COVID-19 situation, however it is intended they will progress as planned and will escalate any delays to NHowcutt. Will commence delivery as soon as the plan is approved.

He highlighted the first key area is key financial controls, looking at financial ledger. Typically a topic in every Council that is audited and something Jonathan is familiar with auditing at various Councils.

Second key area is budgetary control – gives a window into how the organisation works. The level of financial assurance received from speaking to previous auditor and looking at external audit gives general sense everything is in place at Dacorum.

CLlr Townsend asked; does budgetary control include capital programme?

PLazanby responded at high level only, a scoping document would be required to look at that in any detail.

CLlr Townsend responded that his concern is around the fact slippage is generally around capital projects.

NHowcutt commented that there are generally two types of slippage in these programmes; acceptable slippages due to unexpected issues out of our control such as an archaeological find etc. Unacceptable slippages are where a contractor runs over excessively, which we have to respond to. It is generally expected that there will be slippages for capital projects and hence they will have a contingency applied to their project.

CLlr Birnie commented this could in part be something that must be affected by COVID-19 and ability to get on to sites. However, with regard contractors running over, that is down to selection of contractors which forms a part of governance which we have always had a green light on, so he does not see this would be a high concern.

PLazanby gave an overview that the remaining areas would focus on Council Tax, NMDR (Business Rates), Housing Benefits & Business Rates. Then moving on to operational risks, such as business continuity including pandemic arrangements. Also Planning, Housing Rents and Empty Homes. There are also a number of strategic topic such as GDPR to be looked at.

CLlr Townsend referred to Planning and the extent to which we audit the consultation and decision making process, expressing that residents have expressed valid concerns that decisions are made by officers when they have not received the correct information, for example information from HCC on roads. He asked; will the audit cover these sort of questions? To what extent will it delve into the governance?

	<p>PLazanby responded they would start by looking at complains and concerns raised and if that is a concern that is apparent then would anticipate it would be included in this report.</p> <p>Cllr Townsend asked; before we embark on that internal audit, do we as the committee get to review your plan of attack, or will we just be presented the outcomes?</p> <p>NHowcutt responded the report circulated with the agenda sets out the plan, one of the key elements is communication with stakeholders. He added that he would be happy to meet with Cllr Townsend to ensure any elements he wants to see factored into the scope of future audits are included.</p> <p>Cllr Birnie asked to be included in that meeting between Cllr Townsend and NHowcutt.</p> <p>PLazanby advised the report needs full approval in order for them to commence work.</p> <p>Cllr Syminton commented that this a very interesting piece of work, and asked NHowcutt; how does this plan compare with previous Internal Audit? Is the cost comparison a consideration?</p> <p>NHowcutt responded that when procurement process for internal audit was undertaken, cost was included in scope but was not the main driver. Confidence in delivery and outcomes was the main driver so that the reports being completed are something we can hold up and be confident about. Costs very similar to previous provider. Scope of work follows on from what we were doing with Mazars. The big expectation is that we fulfil our full 2020 audit programme despite the obstacles and hurdles presented by current COVID-19 situation.</p> <p>Cllr Townsend commented that on reading the agenda he could find no cover sheet to indicate Members are being asked to approve this, which he commented he is happy to do, but if we are being asked to approve something there should be a cover sheet setting out what we are being asked to do.</p> <p>NHowcutt responded that the point has been noted.</p> <p>Cllr Silwal referred to GDPR and asked; following exit from EU, will that continue or be replaced?</p> <p>PLazanby responded that he expects GDPR to continue and not be replaced by Data Protection Act. Do think there will be an impact in short and medium term in passing around of information due to COVID-19, people will need to make pragmatic decisions.</p>
9	<p><b>STRATEGIC RISK REGISTER UPDATE</b></p> <p>NHowcutt advised the Strategic risk register comes to Audit Committee to review on a quarterly basis. As of last week a new strategic risk has been added to the register in relation to COVID-19, as pg.119 onwards of agenda. The risk is owned by Sally Marshall, and the Portfolio Holder is Andrew Williams. This risk outlines impact of COVID-19 on service delivery both financially and operationally. This is a new risk, will develop over time. The inherent and mitigated risk scores are both still quite high, partly because we do not know how things will pan out and how we will have to react based on Government</p>

	<p>instruction. This will form part of strategic register and was presented to Cabinet as an additional item.</p> <p>Cllr Townsend commented that it seems odd to couch it in terms of COVID-19, a global pandemic is a general risk, it just happens to be the case that we are in the midst of one now. What is in the governance framework that this has to have separate status?</p> <p>NHowcutt stated the strategic risks are generally broad and overarching. The two most recent additions, Brexit which was requested by members and now COVID-19 are included so that members get a regular update, on the specific response to these external risks. It may be that over time the title changes to something broader but for the time being it focuses on COVID-19.</p> <p>Cllr Symington referred to business surveys and asked if these will be repeated?</p> <p>NHowcutt responded that there have been two different surveys, one getting in touch with over 2.5k businesses verbally and another a short survey from asset management team to see how businesses are able to react to COVID-19 and how they have been impacted by policies. Stakeholders will continue to be contacted going forward to assess where business performance.</p>
<p><b>10</b></p>	<p><b>WORK PROGRAMME</b></p> <p>The Chair invited any questions.</p> <p>Cllr Birnie suggested that any additions could be submitted after the meeting to Member Support.</p>
	<p>The Chair closed the meeting, which ended at 19.45</p>