

AUDIT COMMITTEE

MINUTES OF THE MEETING HELD ON: 17 September 2020

ATTENDING

Councillors:

Councillor Chapman (Chairman)

Councillor Silwal

Councillor SO.Mahmood

Councillor Birnie

Councillor Elliot

Councillor Symington

Councillor Townsend

Outside Representatives:

DBC Officers:

James Deane

Nigel Howcutt

Fiona Jump

Lexi Schultz

Usman Mohammed

Cassy Oneil

Marie Sells

Grant Thornton

Amber Banister

Sarah Ironmonger

The Meeting commenced at. 18:30 via MS Teams

No.	AGENDA ITEM
1	APOLOGIES FOR ABSENCE Apologies were received from Mark Brookes, Usman Mohammed attended in his place.
2	MINUTES OF THE PREVIOUS MEETING The Minutes of the previous meeting held on 24 June 2020 were review and agreed

3	<p>DECLARATIONS OF INTEREST</p> <p>There were no Declarations of Interest.</p>
4	<p>PUBLIC PARTICIPATION</p> <p>There was no public Participation.</p>
5	<p>ANNUAL RIPA REPORT</p> <p>Presented by Usman Mohammed.</p> <p>RIPA - Regulation of Investigatory powers Act.</p> <p>Investigations under this act permit the Council to utilise covert surveillance for the purposes of preventing and detecting crime. There are 2 types of Authorisation generally used by the Council</p> <ul style="list-style-type: none"> • Use of a covert Human intelligence source • Directed surveillance <p>In order to utilise these, the Council must gain authorisation from the court and demonstrate these authorisations are necessary, proportionate and in accordance with the law.</p> <p>The authorisations themselves are regulated by the regulation of Investigatory powers Act,</p> <p>The Covert Surveillance and property interference code 2018 along with the corporate policy govern the covert surveillance use, copies of both are included in the papers for this meeting.</p> <p>In 2018 the RIPA commissioner’s office inspected the Council, they concluded that there is in place a coherent process for the management of surveillance and covert human intelligent sources supported by a comprehensive corporate policy document.</p> <p>There were some recommendation made following that report hence the reason for bring this to the Audit Committees attention, not only to highlight the recommendations but also to show how these have been addressed and seek the Committees authorisation and support.</p> <p>The brief overview of the recommendations are as follows:</p> <ul style="list-style-type: none"> • Amendments to the wording of the Corporate Policy • Where a covert Human intelligence source is used there must be both a handler and a controller in place for their welfare as well as a risk assessment which needs to be signed off by an authorised officer. • Training for relevant officers. • Reporting to the relevant Members to provide transparency. This will be in the form of an annual detailing the number of authorisations obtained and what kind of intelligence has been gather through these operations.

	<p>Between 1 April 2019 – 31 March 2020 there were no covert human intelligence sources used however 3 applications were made to the court for directed surveillance (covert cameras) all of which were granted. All of these resulted in prosecutions.</p> <p>Cllr Townsend has no concerns with the content of the report however he questions whether under the terms of reference the Audit committee are able to approve policies.</p> <p>Cllr Birnie agrees with Cllr Townsend and feels the annual report should be submitted to an OSC meeting.</p> <p>Cllr Chapman also agrees with the comments.</p> <p>N.Howcutt clarifies that this is more about the Audit Committee overseeing controls and assurances rather than approving policy. The reason this paper has been submitted to the Audit Committee is ensure they are happy with the proposals which have been put into place around those controls and assurances. In terms of the performance of RIPA Cllr Birnie is correct, it is often reported to OSC as often as the chair requires.</p> <p>Cllr Symington would like clarification regarding the use of directional surveillance and the fact it should be use with a threshed hold of 6 months in prison, she feels this is not proportional for the fly tipping convictions which have been previously mentioned.</p> <p>Cllr Symington feels the report should be brought to a wider committee or ideally full Council as she feels the Audit Committee is to narrow an audience</p> <p>The Committee agrees the recommendations:</p> <ol style="list-style-type: none"> 1. Note the outcome of the inspection by the RIPA commission. 2. Agree the recommendation set out in paragraph 3.5 in response to the chief inspectors observations 3. Agree the suggested amendment to the Councils RIPA procedural guidance to ensure it remains fit for purpose. <p>The Committee supports the report however they would like it to be circulated to a wider audience for consideration. They would like to be kept informed of the progress.</p>
6	<p>Final Outturn Report 19/20</p> <p>Fiona Jump presented</p> <p>This report is submitted to the Audit Committee as there have been several changes since the provisional outturn report was presented to Cabinet in May. These are largely technical adjustments.</p>
7	<p>Statements of Accounts 19/20 and letter of representation</p> <p>James Deane would like to bring to the Committees attention that there is one</p>

outstanding item on the accounts which is the pension evaluations, this isn't something that DBC is in control of, the valuation administration of the council pension scheme is undertaken by HCC and they are experiences some delays with their auditors EY.

Fiona Jump Presented.

The purpose of this document is to summarise the Councils financial position for the year, to provide assurance for both the strength of DBCs financial position and the way in which we operate.

The document is made up of a number of different financial statements supported by a narrative report the purpose of which is to give more information around what the financial statements are showing, plus explanatory notes which go in to much more detail about the figures presented.

The main statements:

1. Comprehensive Income and expenditure statement – to show the net cost of the councils services and how those costs have been supported by funding sources such as grants, business rates and council tax income.

Statement for 2019 shows a net gain to the Council of £128M

2. Movement in Reserve statement – to show the movement throughout the year on different reserves that are held by the council. The Balance sheet also shows DBCs financial position for the year.

This year the document shows the net worth of the council is just over £1b.

3. Cash Flow – shows the movement in the Councils cash and cash equivalent position during the year. There has been a net cash inflow of £4.9m.

The audit findings report summaries the work coming out of the audit so far, it is substantially complete.

The date from receiving accounts was pushed back this year to the end of August with the latest date for auditing pushed back to the end of November, however the finance team were able to provide the accounts at the end of June as originally planned.

The areas still to complete are around prior period adjustments, this is due to the fact GT have to go through an internal review with their technical team on those and that is still ongoing.

In terms of pensions, GT cannot sign off on the accounts until they have received the assurance letter from EY.

Due to the pandemic all work has been undertaken remotely, this has meant things have taken a little longer while everyone got use to the new way of working.

Cllr Birnie would like to know where the £2.4M overspend in the general fund has come from and if the committee should be concerned.

N.Howcutt explains this is mainly linked to the Berkhamsted Multi Story car park, this is an isolated issue related to a project that encountered significant problems.

Cllr Birnie would like to know what the Dacorum development reserve is for.

N.Howcutt currently there are plans to use a portion of this fund to cover the local plan pressures and some of the building improvements required as a result of Covid which have been encountered this year, the funds will be built back up to continue to invest in the future development of Dacorum.

Cllr Townsend made reference to the General Fund and the HRA Fund, Stating that historically it wasn't kept fixed and was monitored by Councillors, however in the last 2 years there seems to be a balancing adjustment or earmarked reserves, he feels this isn't appropriate or correct and raised this point in the previous year also. He would like to know what the policy framework is around earmarked reserves which allows this to happen.

Cllr Townsend feels it is very difficult to reconcile all the reports, he would like to thank Fiona Jump for all her help clarifying the Outturn Report, He feels the 3 reports being reported presented together has been confusing.

N.Howcutt apologises if reporting all 3 reports together has caused confusion, this decision was made due to the fact agenda items 6 and 7 contain recommendations which could only be approved once agenda item 8 has been discussed. Presenting them together allowed the committee to look at the overall picture. In terms of item 6 (the final outturn report) this gives a very clear and transparent overview of what has changed from the last Council reports.

The statements take months to create and have many statutory requirements, there isn't enough time and resources to produce them within the monthly reports.

Regarding PPA and process, these have been reviewed by External audit to ensure they are correct, a few minor issues were identified and these have been rectified.

FJump in relation to reserve movements, there are always some movements following provisional outturn, where those result in a reserve movement the correct process is to come before committee for approval, we do try and keep these to a minimum where possible.

Cllr Townsend clarified that he is comfortable approving the changes however it is the use of the reserves as a balancing figure that is causing him concern.

JDeane explains that what Cllr Townsend is referring to is the general fund, the purpose of this fund is to ensure there is financial support for any unforeseen risks throughout the year, good practice is to keep it between 5 and 15% of the net cost of services, and therefore this account balance should remain the same.

Cllr Symington appreciates JDeane's explanation, however she still has concerns around the earmarked reserves, she feels it is a known expenditure and sees the General fund as the health of the council rather than a buffer.

The following recommendations were approved by the committee:

- Reserve contributions and movements
- Statement of accounts and letter of representation

Cllr Symington pointed out that on page 82 of the accounts it states that the chair and vice chair of the oversight and scrutiny committees can be selected from any of the political groups, this is actually at odds with DBCs constitution which states they should be selected from the majority group. N Howcutt will look into this further, it is an error in the annual governance statement that will be corrected.

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External Audit Progress Report

The audit findings report summaries the work coming out of the audit so far, it is substantially complete.

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The areas still to complete are around prior period adjustments, this is due to the fact GT have to go through an internal review with their technical team on those and that is still ongoing.

In terms of pensions, GT cannot sign off on the accounts until they have received the assurance letter from EY.

Due to the pandemic all work has been undertaken remotely, this has meant things have taken a little longer while everyone got use to the new way of working.

GT anticipate being able to conclude with an unmodified audit opinion following the resolution of the outstanding areas.

Amber would like to thank the finance team for their quick responses, the high quality of their responses and working with GT to work remotely.

In terms of the audit approach, the materiality levels were changes slightly from the planning stage, this was purely based of the fact the figures were slightly different to the draft accounts which meant materiality fell slightly.

Materiality was reviewed in line with Covid to see if there was any additional risk however it was decided that was covered by the work already planned.

The areas of focus for the audit were determined by the audit plan which was presented in February. They were as follows

- Valuation of land and building

	<ul style="list-style-type: none"> • Management override of control • Pension liability <p>The pandemic has been noted as a significant risk in the addendum which was brought to the last committee, there have been no changes since then.</p> <p>It became clear quite early on that the RICS guidance were pointing to a material uncertainty within valuations, this was expected across all sectors. It was included in their report and so it was expected that DBC would make that clear and transparent to readers in the accounts, which they did. GT have drawn attention to this in their audit findings report and their opinion. The opinion remains unmodified.</p> <p>There are some minor disclosure findings on PPE, pensions, accounting policies, judgements and estimates which are detailed in the report and have all been amended.</p> <p>Overall this was a very positive audit with no major concerns.</p>
9	<p>WORK PROGRAMME</p> <p>The work programme was reviewed and agreed</p>
	<p>There being no further business the meeting ended at 21:38</p>