

## AUDIT COMMITTEE

MINUTES OF THE MEETING HELD ON: 23 June 2021

### ATTENDING

#### **Councillors:**

Councillor Chapman (Chairman)

Councillor Elliot

Councillor SO.Mahmood

Councillor Symington

Councilor Townsend

Councillor Tindall

#### **Outside Representatives:**

DBC Officers:

M Sells, Member Support Officer (Minutes)

Nigel Howcutt

Sara Whelan

#### **Grant Thornton**

Paul Cuttle

#### **TIAA**

Philip Lazenby

The Meeting commenced at. 19:30

| No. | AGENDA ITEM  |
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| 1   | <p><b>APOLOGIES FOR ABSENCE</b></p> <p>Apologies for absence were submitted on behalf of</p> <p>Amber Banister<br/>Cllr Townsend<br/>James Deane</p> |
| 2   | <p><b>MINUTES OF THE PREVIOUS MEETING</b></p> <p>The Minutes of the previous meeting held on 17 March 2021 were review and agreed</p>                |

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| 3 | <p><b>DECLARATIONS OF INTEREST</b></p> <p>There were no Declarations of Interest.</p>   |
| 4 | <p><b>PUBLIC PARTICIPATION</b></p> <p>There was no public Participation.</p>  |
| 5 | <p><b>EXTERNAL AUDIT</b></p> <p>N.Howcutt introduced Paul Cuttle who will be taking over from Amber Banister, the Committee welcomed him.</p> <p><b>Presented by Paul Cuttle of Grant Thornton.</b></p> <p>Audit Plan for 20/21 Financial Accounts – Update on progress.</p> <p>The report has been circulated to the committee.</p> <p>Paul reminded the committee of the scope of the work to be carried out by Grant Thornton. There are 2 elements:</p> <ol style="list-style-type: none"> <li>1: Forming and expressing an opinion on the financial statements</li> <li>2: Value for money arrangements which are in place within the council.</li> </ol> <p>In relation to the financial statements, the area which is focused on is the significant risks.</p> <p>Another area of focus is Fraudulent Expenditure recognition which is a new element to the report and management override of controls, Every audit in every sector would look at these.</p> <p>Other areas to be looked at are the valuation of the buildings, Investment properties and pension fund liability.</p> <p>Pages 12 – 14 of the report give more details about the procedures and processes undertaken.</p> <p>Accounting estimates is a new standard, these include an enhanced presentation in the financial statements.</p> <p>Regarding Materiality, the process involves identifying a bench mark that is felt most appropriate and then the procedures are designed to identify any errors above that level. Performance materiality is set at 75 percent of that figure. The Triviality level is set at 150k, any errors above this level are reported to the Audit committee.</p> <p>Cllr Birnie would like to know in relation to materiality and triviality are these looked at individually or accumulatively. P.Cuttle confirms these are looked at firstly in isolation and then accumulatively to give an accurate analysis.</p> |

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|   | <p>Cllr Birnie would like to what Pooled property funds are as mentioned on page 10. He would also like to know if the Valuer is an internal or an external post.</p> <p>N.Howcutt confirms the Valuer is an external post.</p> <p>P.Cuttle explains that Pooled property funds are where an investment is made and you are entitled to a proportion of the revenue, this makes them harder to value therefore there is more estimation around them. These are entirely related to the Pension fund and is common practice in every local authority.</p> <p>There being no further questions the Chair thanked P.Cuttle for his presentation.</p>   |
| 6 | <p><b>INTERNAL AUDIT</b></p> <p><b>Presented by Philip Lazenby of TIAA</b></p> <p>Progress Report ( Summery internal Controls assurance report (SICA))</p> <p>There have been 2 reports provided since the last audit committee:</p> <p>Planning – Substantial assurance with no recommendations.</p> <p>Business Grants – Reasonable assurance, 2 medium priority and 1 low priority recommendation.</p> <p>Cllr Tindall would like to know if we are on track to decommission all computers by the end of August.</p> <p>N.Howcutt confirms at this time we are still working towards this deadline.</p> <p>Cllr Symington would like some clarification around Grants, she notes that there are 2 important recommendations around the Grants, it states that the council complied with both government guidance and local authority discretionary policies when processing grant applications. She doesn't recall those being brought to Members and appreciates it may not be for the Audit committee but she would be interested to know what those were and how they were audited. She notes the supporting evidence was not retained in the system and self-certification was relied on to confirm the government and local policies, This related to 26million pounds which has been distributed by the Council. Cllr Symington feels this wasn't done to the highest standard and would like to know what the views of this committee were surrounding these grants.</p> <p>Cllr Birnie notes on page 33 of the report it states there will be a paper coming to the Audit committee addressing this exact problem. He would like to know when this report can be expected.</p> <p>N.Howcutt explains in terms of business grants, between March 20 and January 21 a total of 11 different business grants have been rolled out on behalf of the government, up to the point of this audit 22.5M of which was non-discretionary and was allocated to businesses in line with government policy and criteria, DBC were passporting those grants on behalf of the government which was mainly done through Business rates relief.</p> |

There were 2 local authority discretionary grants, these have been signed off by Portfolio Holders and Leader supervision in conjunction with multiple cabinet members.

The turnaround times for these processes were incredibly tight, in terms of performance DBC has been one of the highest performing boroughs for getting grants out to business, in terms of service perspective overall this is one of the things we are most proud of over the past 12 months in terms of achievements of the council and the feedback received.

Cllr Birnie would like it noted that he firmly believes the council has acted in the best possible way in order to facilitate the distribution of these grants in the limited time available.

Cllr Elliot is very proud of the efforts of DBC, the times frames were incredibly short and the work carried out by the officers and members involved was exemplary, he has every confidence in the staff and is immensely proud of their efforts.

Cllr Tindall would like to know if the guidance provided by the government in relation to grants was in his opinion as poor as that provided for the Care homes.

P.Lazenby explains it is a totally different situation and the guidance provided for the grants has a much stronger base.

N.Howcutt has sympathy for Cllr Symington's point of view but the turnaround time were so tight and complicated, DBC have been open, honest and transparent, there is also follow up to double check those grants.

These were exceptional circumstances and it has been very difficult all around.

Cllr Symington doesn't feel her questions have been answered and although she appreciates everyone was under pressure she would like to hear the point of view of the auditor.

P.Lazenby firstly confirms that the question Cllr Symington was asking was if he as an auditor felt the grants went to places that were justified to support the provision of the grants.

Cllr Symington confirms she would like to know how were those grants audited, what information was provided. She would like further comment as to what is in the audit report.

P.Lazenby responds by explaining that the focus of the audit was primarily in relation to adherence to Government and Council requirements, it wasn't necessarily to determine if there was underlying activity in place at the organisations requesting the grants.

He confirms that what was seen during the audit was in accordance with the requirements of the government. Had this been standard grants during normal times then yes there would have been far more documentation required and additional processes, but that wasn't the case, as N.Howcutt has stated the gap is going to be made up through post evaluation testing and additional documentation.

This equates to what has been seen at other organisations and it was in compliance with government guidance and he feels it was justified, appropriate and measured considering the exceptionally circumstances, he feels the people at DBC did a very good job.

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|   | <p>The Annual Report</p> <p>This provides a summary of the work undertaken last year, number of reports issues, and breakdown of the number of recommendation and at what stage we are at which each recommendation.</p> <p>Internal Audit Charter</p> <p>This is provided on an annual basis to the Audit Committee. It sets out the roles and responsibilities for each organisation and sets out the KPIs.</p> <p>There are no objections and the Charter is approved.</p>  |
| 7 | <p><b>STRATEGIC RISK REGISTER QTR 4 20/21</b></p> <p><b>Presented by Nigel Howcutt DBC</b></p> <p>There will be a review of the strategic risk register over the next few months along with a review of the corporate strategy. There are likely to be changes and Members will form part of that discussion as we go forward.</p> <p>There are no new strategic risks, comments have been updated.</p> <p>CLlr Tindall would like to know if the DBC communications strategy review has been completed and who has that has been reported to.</p> <p>N.Howcutt confirms it has been completed, the original review went to finances and resources overview and scrutiny but he would need to check the time frames.</p> |
| 9 | <p><b>WORK PROGRAMME</b></p> <p>The work programme was reviewed and agreed</p>   |
|   | <p>There being no further business the meeting ended at 21:35</p>  |
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