

AUDIT COMMITTEE

MINUTES OF THE MEETING HELD ON: 09 February 2022

ATTENDING

Councillors:

Councillor Chapman (Chairman)	Councillor Elliot
Councillor Silwal	Councilor Townsend
Councillor SO.Mahmood	Councilor Symington
Councillor Birnie	

Outside Representatives:

DBC Officers:

James Deane Corporate Director (Finance & Operations)
Nigel Howcutt Assistant Director (Finance & Resources)
Fiona Jump Group Manager (Financial Services) (FINANCIAL SERVICES)
John Worts Information Security Team Leader (Legal Governance Management)
M Sells, Member Support Officer

TIAA

Philip Lazenby

The Meeting commenced at. 19:30

No.	AGENDA ITEM
1	<p>APOLOGIES FOR ABSENCE</p> <p>There were no apologies received</p>
2	<p>MINUTES OF THE PREVIOUS MEETING</p> <p>The Minutes of the previous meeting were review and agreed with the following comments noted.</p> <p>NHowcutt advised that comments made by the Committee on the strategic risk register were fed back to Cabinet.</p> <p>NHowcutt confirmed that he did circulate the notes regarding Grant Thornton but that</p>

	<p>these would be recirculated to ensure this is received by all members.</p> <p>Cllr Townsend stated that he would like reassurance that the feedback to Cabinet reflected his comments.</p>
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>Internal Audit Service Reports</p> <p>PLazenby presented the update, first looking at the procurement review, which looked at the processes and governance in place and considered the operational controls and availability of systems. 2 important and 2 routine recommendations were raised, all of which were accepted by management and a detailed response was provided on controls. The audit identified that procurement rules are being potentially circumvented though controls were identified as generally strong. It was noted that there is no formal oversight in place by way of reporting incidents to committees or Cabinet.</p> <p>Cllr Birnie noted that there is no mention of planning enforcement, which requires full attention given the issues raised by residents to councillors and that there is an estimated backlog of 3 years. Cllr Birnie also noted that the report incorrectly states that more information on ICT is in Appendix B and that this information is under Appendix C. Cllr Birnie commented that he found there was a lack of communication from ICT compared to the detailed management responses from Waste Management. NHowcutt noted the recommendation on page 16 of the report regarding the replacement of servers and advised that all servers have now been replaced and went through the public sector accreditation process. Whilst this action was delayed, it has now been completed and audited.</p> <p>PLazenby next looked to FOI, explaining that the review looked at if arrangements to ensure there is a consistent and coordinated approach was in place. 1 important and 2 operational recommendations were raised. PLazenby advised that the key issue was regarding HR being unable to get start dates from the system which meant that information on training could not be substantiated and this remains an open item.</p> <p>Cllr Silwal referred to page 24 of the report and asked for further clarification on purchase orders. NHowcutt advised that the council policy is that if there is no purchase order then there is no payment process, and that any orders should have a purchase order to allow anyone to confirm it has been received. This process is more efficient and it was found that some people off-site were putting through purchase orders after ordering. The audit process allowed the council to improve processes.</p> <p>PLazenby next looked to budgetary controls and confirmed there were 2 routine</p>

	<p>recommendations made regarding having appropriate policies and procedures in place, which are to be completed by the end of June.</p> <p>On NNDR, PLazenby confirmed that sample testing and review of documentary information confirmed that robust controls are in place and operating as intended with no recommendations made or findings of concern.</p> <p>On council tax, PLazenby confirmed that sample testing of discounts, arrears and write offs and a review of documentary information confirmed that robust controls are in place and operating as intended with no recommendations made or findings of concern.</p> <p>On housing benefit, PLazenby noted that review and testing of overpayments identified 1 significant overpayment that had been approved and written off but no significant recommendations were raised.</p> <p>Looking to waste management, PLazenby advised that the operational lead wasn't present and therefore the report would be resubmitted at the next meeting to be discussed in detail.</p> <p>Cllr Birnie queried how much the overpayment of housing benefits was. The response to this was inaudible.</p> <p>With regards to waste management, it was confirmed that neither Richard or Craig Thorpe were available to attend the meeting. Cllr Birnie commented that he felt the responses and mitigations offered to the queries raised were adequate. The response to this was inaudible.</p> <p>Cllr Symington noted that 283 members of staff have completed training and asked what percentage of staff have not completed it. PLazenby advised that he did not have this information but that this still remains incomplete from their perspective. Cllr Symington asked a follow-up question regarding not being able to get relevant HR system from the data and asked if this was an audit issue. NHowcutt confirmed that this is an audit issue and that they will present an implementation timetable at the next meeting setting out how they will retrieve this data, either through a direct system report or a manual operation.</p> <p>Cllr Townsend queried if the issue was being unable to get people's start dates. NHowcutt advised that the issue is that there are 2 systems and getting the information to match across the 2. This dual system is slowly moving to becoming 1, which will make audits easier going forward. PLazenby added that the problem would become less acute as training is cycled over a 3-year period</p>
6	<p>Internal Audit Performance Report SICA</p> <p>PLazenby presented the SICA report, noting that overall there were 4 substantial, 2 reasonable and 1 limited recommendations, none of which are likely to impact the annual audit. Progress against the plan was noted and 1 audit has been deferred to Q1. PLazenby advised that he didn't foresee any issues with the plan being completed but suggested that the focus be on delivering the plan against the presented schedule. It was noted that an additional audit on governance and risk management is underway and will</p>

look at how risks are approached.

JWorts formally requested an extension to the end of July for the outstanding action on GDPR, noting that this is a particularly large piece of work and that they hope to soon present to SLT on using the information questionnaires and being self-serve.

NHowcutt confirmed that they would present the internal audit programme for 2022/23 at the next meeting and requested that members submit any questions ahead of the meeting to allow for an informed debate.

Cllr Symington noted that the audit on corporate health and safety is being deferred to Q1 and asked what the committee can do if management ask to defer more. PLazenby explained that the redesignated timeframe was agreed with the Section 151 officer and it was felt that the impact of deferring the audit was low due to it being deferred too early in the following year. It was noted that this year has been particularly challenging due to Covid and PLazenby commented that he felt the organisation had responded admirably to the large number of audits. A pushback of a critical audit would need to be discussed in detail by the committee and any pushback can be queried with the Section 151 officer. NHowcutt added that in his role he has to be comfortable that the internal audit programme offers assurance that operations are open, fair and transparent, and that he would take ownership of the deferral.

Cllr Birnie noted that management responses are awaited on housing rents and asked what kind of responses they are expecting. NHowcutt explained that management have the right to respond to the draft report to provide information, feedback or recommendations.

Cllr Townsend queried how much resource the internal audit requires. NHowcutt advised that the audit plan normally has 225 days per year, though next year will have 250 days due to the deferral. A number of days are also set aside for ad hoc work, additional training or support. Cllr Townsend asked if this would be one person's time for the year. NHowcutt stated that they commission 250 days and Tiaa then provide experts for each audit area. PLazenby added that he will bring people in depending on the nature of the audit. NHowcutt continued that PLazenby's team will identify what documentation they need for scrutiny and then it will be Dacorum officers that collate these items.

7

Public Sector Audit Appointments

NHowcutt noted that he would be requesting approval to procure their external audit services from 2023 for the next 5 years through PSAA. It was noted that around 90% public sector bodies go through PSAA due to issues in the audit sector and that only 9% of local authorities were able to produce their audited accounts on time this year due to a number of firms struggling to meet demands. NHowcutt advised that there would be a greater risk going out individually and that going through PSAA is their only viable option. Opting in won't be a long-term solution and will be until the government addresses issues within the sector on resourcing, skills and delivering accounts.

Cllr Birnie queried why they need to commit to 5 years. Cllr Birnie then looked to the presented fees, noting that the variation of £30,500 added to the audit fee (page 102, paragraph 39) doesn't reference the original fee, and he was unsure what the difference

was between 2014/15 when the audit fee was £97,600 and 2020/21 when it was £56,480 (page 104, paragraph 48). NHowcutt explained when the last PSAA opt in was set up it was on the basis of making year on year savings, and that the core audit fee has been reduced by £41k since 2014/15. NHowcutt continued that external audit companies are increasingly unable to provide the service and have started adding additional fees to local authorities, and that he felt the PSAA have driven down prices to a point where they are undeliverable and unsustainable. The 5-year procurement is to provide commitment to external audit firms to ensure they invest in training and recruitment, and the PSAA are looking to increase the number of external audit firms that bid in the sector.

Cllr Birnie asked if they have used the PSAA previously. NHowcutt confirmed that this is the re-opt in of the scheme they used previously and there is no change in approach. It was confirmed that they have no control over the fees fixed by the PSAA, though it is a government assigned body and that the government have provided an additional £50m to assist local authorities with the increase in fees. NHowcutt added that if costs increase significantly then he believes this cost will be picked up by the government.

NHowcutt noted that if they choose not to opt in but are unable to procure external audit services then the PSAA will allocate them an external auditor and it therefore makes sense to be part of the process from the beginning. FJump added that the main option available to them was to procure services via the PSAA.

Cllr Chapman supported the proposal.

Cllr Townsend asked if the PSAA is a government agency or private company. FJump confirmed that it is a government organisation and that she didn't believe it makes a profit on its services.

8 Draft Treasury Management Strategy 2022/23

NHowcutt commented that he felt the Committee was the right place to bring the treasury management strategy and advised that there are currently no proposed changes. The approach is based on security, liquidity and finding a yield on return through a cautious approach to ensure the organisation is not involved in high-risk investments, though they may need to be open to other opportunities if cashflow continues to be as high as it is now. NHowcutt noted that they project cash balances to be around £158m, a 50% increase year on year, and that they may therefore need to look at additional third-party counterparties to lend those funds to.

Cllr Birnie queried who approves the third-party organisations. FJump explained that the council engages the services of treasury management advisors who provide information on counterparties on a monthly basis though any concerns or changes are raised on a daily basis.

Cllr Townsend requested further information on the 50% increase in cash balance. NHowcutt advised that this was slightly misstated as they look at the cash balance as of 31st December and that this year it was particularly high due to the large number of upfront government grants and the capital programme has been impacted with £20-30m less spend. There are also a number of large payments going out from January-March that will bring this figure down.

	<p>Cllr Townsend queried how much they would get as a result of interest rate increases. NHowcutt explained that the majority of gains are in the short-term as most investments are done at fixed rates due to the increased risk posed by variable rates, and there will therefore be no benefit on current fixed cash investments and the main impact will be on borrowing. The focus is therefore on managing the cashflow forecast.</p> <p>Cllr Symington commented on the strategy being brought to the Committee but that point 3 in the paper states that the council nominates Cabinet for scrutiny of the strategy before it is recommended to the full council and suggested that bringing it to the Committee was just a courtesy. NHowcutt responded that he saw it as more than a courtesy and that any comments made by the Committee would be fed up to Cabinet and that he also foresees more reports coming to the Committee in the next 6-9 months as rules and oversight responsibilities change.</p> <p>Cllr Townsend queried if it was in the Committee’s terms of reference to scrutinise policies. NHowcutt stated that he saw the Audit Committee as a body to scrutinise and advise on policy, and that recommendations would go to Cabinet or portfolio holders. PLazenby added that it’s not unusual for policies to be circulated to audit committees due to its interest in insight into risks and controls, and that audit committees can advise on how policies can be amended. It was noted that treasury management can be particularly high risk and that the Committee may be particularly interested in this area. Cllr Townsend commented that it would be useful to check if it is covered under their terms of reference.</p> <p>Cllr Chapman commented that he had spoken to 2 other local authorities who have a similar procedure and that any concerns can be passed to officers and Cabinet before going to the full council.</p>
9	<p>WORK PROGRAMME</p> <p>NHowcutt confirmed the following items to add to the work programme:</p> <ul style="list-style-type: none"> • To bring the internal audit programme for 2022/23. • To bring the annual accounts letter from Grant Thornton, including the value for money review. • To bring back the waste management internal audit report with participation from the service lead. • There being no further business, Cllr Chapman formally closed the meeting.
	<p>There being no further business the meeting ended at 21:38</p>