

DACORUM BOROUGH COUNCIL

AUDIT COMMITTEE MINUTES

16 DECEMBER 2015

Present:

Councillors: Taylor (Chairman)
Barnes Tindall
Douris W Wyatt-Lowe
Elliot Portfolio Holder for Finance & Resources

Officers:

J Deane Corporate Director (Finance & Operations)
D Skinner Assistant Director (Finance & Resources)
R Smyth Assistant Director (Performance)
M Brookes Group Manager (Legal Governance)
J Worts Information Security Manager
R Hill Team Leader, (Licensing)
A Vincent Group Manager (Tenants & Leaseholders)
J Doyle Group Manager Member Support

Others:

M Clarkson MAZARS
N Harris EY LLP
M Hodgson EY LLP

The meeting began at 7.30 pm

58. APOLOGIES FOR ABSENCE

An Apology for absence was submitted on behalf of Councillor Adshead.

59. DECLARATIONS OF INTEREST

None.

60. MINUTES AND ACTIONS

The Parts 1 and II minutes of the meeting on 23 September 2015 were agreed by the Councillors present and signed by the Chairman.

61. PUBLIC PARTICIPATION

None.

62. STRATEGIC RISK REGISTER (Item 5)

This item was introduced by Councillor Elliot as the Portfolio holder for Finance and

Chairman

Resources.

Councillor Barnes requested that in future the register should contain a ‘change reporting’ column, indicator or section which will highlight any changes in status from the previous version.

James Deane (JD) Corporate Director (Finance & Operations) advised the committee that any changes would usually be accompanied by a report setting out the details of any change in status.

Councillor Douris drew attention risk C6, Core Management Training Programme - current controls regarding the absence of an actual launch date. In future he would like to see an actual date for commencement stated in the register.

He followed this up by saying how pleasing it was to see the healthy employee turnover figure of 9%.

Cllr Tindall then sought some details on the F6 indicator dealing with new legislation and in particular the impact of recent legislation on the Housing Revenue Fund (HRA). The Corporate Director (Finance & Operations) agreed that the new legislation will severely impact the HRA but it is too early to say how great the impact will be as the details of the legislation are still to be provided and its impact is still being calculated. What is certain is that there will follow a period of uncertainty and that this added to the, as yet, unquantifiable impact of the new Right To Buy regulations will certainly have a significant impact on the Council’s finances.

Councillor W Wyatt-Lowe expressed some concern regarding Risk I3, securing significant investment in infrastructure, and DBC council employees having the experience to achieve this aim as these areas traditionally lay with Herts County Council.

JD agreed that the whole area needed managing and he suggested that the committee invite the owner of the risk to attend the next meeting to give an outline of how the risk will be addressed.

Councillor W Wyatt-Lowe then went on to R5, dealing with increased use of Social Media which he feels emphasis DBC being pro-active and producing/making use of social media. However he suggested that there should be more emphasis on monitoring what is said regarding DBC, tracking remarks and rapidly responding to them 24/7.

R Smyth (RS) Assistant Director (Performance) reported that for DBC the ‘Crowd Control’ information monitoring package performs this function and in addition the Customer Service Unit also monitor communications on a day to day basis in line with our media strategy. The Communications team includes Social Media specialists to oversee the work.

Councillor W Wyatt-Lowe came back with the enquiry, if these systems only operated during the working day, 9-5 hrs? RS informed him that while the staff do indeed work mainly office hours the ‘crowd control’ software package operated 24 hours and will identify the comments at all times and a rapid response will follow.

Councillor Douris felt that DBC might benefit from a points scoring system similar to that used by HCC and that DBC should use the new media to do more to promote itself. RS added that we employ Google analytics to measure positive and negative views of the Council that may be expressed online and DBC are considering other software which is being looked at as part of the CRM proposals. Our Social media strategy contains a number of methods for promoting ourselves and increasing our profile.

Finally Councillor W Wyatt-Lowe sought and was given assurance that DBC monitor ‘streetlife’ and that we have worked with them in the past.

Chairman

Actions

- Future Risk Register should contain a ‘change reporting’ column, indicator or section which will highlight any changes in status from the previous version.
- The Register to state an actual date for commencement
- Owner of Risk I3, securing significant investment in infrastructure to attend the next meeting to give an outline of how the risk will be addressed

63 ANNUAL AUDIT LETTER (Item 6)

M Hodgson, EY LLP, (external auditors) began by saying that he seldom gets to send an audit letter couched in such positive terms and that it is a measure of the improvements in the auditing process he has observed at DBC over recent years. He added that when he began his relationship with DBC his letters were often couched in critical terms but he now finds himself praising the council for its improved systems and processes and in particular this year;

- Being one of the earliest authorities to close its accounts
- Achieving a particularly good value for money conclusion, and
- Looking forward to deal with forthcoming changes in accounting and auditing challenges in the areas of highway and transport infrastructure

He then introduced the new relationship manager Neil Harris who said he intends to follow on where Mark left off. He too felt that the annual audit letter reflects a very positive outlook that should be maintained. He concluded by informing the committee that he intends to submit the plan for the 15/16 Audit in April.

The Chairman thanked the auditors for their efforts and their co-operation with the audit committee, councillors and the finance team. He went on to specifically praise Mark Hodgson (MH) for developing a special and effective working relationship with DBC and, on behalf of everyone, proffered a great deal of thanks for Mark’s steerage and support.

Councillor Barnes drew attention to the Looking Ahead section (4) of the letter and particularly the reference to accounting regarding the Highways Network Asset and asked what is the likely impact on the Council’s Reserves?

MH pointed out that as a local authority DBC will have ‘highways’ assets that depreciate and need to be accounted for. The assets will have to be identified and valued. This will be a considerable amount of work for the council and the auditors will test the results for completeness.

Councillor Tindall asked if this will also cover paths, street furniture and equipment that are currently part of the HRA infrastructure. He suggested that it might lead to improved identification of who owns each asset. Councillor Tindal went on to say that this could lead to three categories of asset; those for which HCC are responsible, those the responsibility of the Borough; and those that might be unadopted – in addition they will have to be categorized into those belonging in the HRA and those affecting the General Fund.

JD added that the recent upgrade of the GIS software and application should contribute to better identification of these assets.

Councillor Douris (in his role as HCC Highway Executive mentioned that HCC already maintain a ‘terrier’ that will identify all but the most bizarre anomalies of street infrastructure. The committee appreciated that this could be a complicated process as it will include Streetlights which could be the responsibility of HCC, DBC General Fund, the HRA, Housing Assoc, etc.

MH said he is expecting the HCC assets being valued to run into millions and that the Council must produce accurate records and meterage. Councillor Douris advised all the districts should talk to HCC as soon as possible. John Worts, Information Security Manager made a request for Councillor Douris to encourage HCC to let DBC have access to the terrier and to share data to facilitate cross-authority work on this valuation.

64. INTERNAL AUDIT Progress report (Item 7)

M Clarkson of Mazars, internal auditors introduced the item by taking the committee through the reports main conclusions; beginning with the conclusions in the Final Reports and the other work being carried out.

He drew attention to the Draft Assurance framework currently under development in partnership with DBC and said the intention is to ensure that DBC have a good framework by the end of quarter 4.

Of the recommendations made, only three were identified as still outstanding and only one Priority 1 recommendation had been made since the last committee.

Cllr Tindall drew attention to the graph dealing with 'follow up recommendations' (page 39/135) and sought clarity on the level of non-compliance indicated in the report. MC explained that the non-compliance was identified after all the options had been tested and is of a minor level.

Cllr Douris sought assurance that the reports which were headed confidential should be in the 'open' agenda. MC said that the general tendency is that the Council should publish the reports but until the Council makes that decision they remain confidential between the auditors and the Council. To assist they will remove the confidential from the report unless their advice is to retain the confidential status.

65. INTERNAL AUDIT Housing Repairs (Item 7)

MC of Mazars introduced this report, drawing attention to the three priority 2 recommendations and the actions taken to address the issues.

Cllr Barnes enquired if tenants are responsible for a full recharge for services received. A Vincent, Group Manager (Tenants & Leaseholders) (AV) informed the committee that a new recharge policy is being developed and that it may include the admin costs. Cllr Barnes suggested that this could indicate that there may be no need for the council to employ a recharge officer; he added that it would be an idea to have Osbournes do this. AV responded that his sections are examining the tasks to ascertain what can and cannot be done 'up front' and what charges should be levied.

Cllr Taylor was anxious to see that the Council's current policies were being implemented correctly and the appropriate charges made. AV pointed out that some tasks, e.g. replacing lost keys, had an 'up front' cost for which a charge could be made, if appropriate but that this was not always the case. MC of Mazars was satisfied that plans are in place to assess the opportunities for charges and to address this issue.

Cllr Tindall suggested that it is not just the Housing sections who are pursuing payments and that a single, Council wide group doing this would be more cost effective than individual services chasing debts.

AV was able to respond that is partly covered by the work being done to establish CRM and may be a shared platform administered by the provider will make it possible.

Resolved:

That the auditor's report be noted.

65 INTERNAL AUDIT parking (Item 7)

MC of Mazars presented the report and recommendations.

Cllr Tindall enquired if the Council's contractors were being encouraged to install smart machinery/systems which would ensure that cars are counted in and out and the cost effectiveness of the scheme analyzed and monitored.

D Skinner, Assistant Director (Finance & Resources) (DS) assured the committee that this is included in the consultants' brief.

He went on to add that the monthly invoice generation process had been improved and that regular, challenging contract meetings were taking place.

Cllr Tindall returned to the matter of missed monthly meetings which could indicate that DBC were not retaining control of this function. DS repeated that regular meetings and measures are now in place to deal with genuine charges and to monitor the work to be done.

Cllr Tindall bemoaned the fact that it has been so difficult to see a full contract and to be restricted to a heavily redacted copy of the Watford Contract. He was informed that this was also included as part of the consultants brief is to examine if the council is getting value for money.

Cllr Douris was pleased to see that dates had been set for the regular monitoring meetings.

He hoped the meetings would allay the concerns expressed in Recommendation 2 and asked the auditor if they were satisfied with the responses. MC replied that despite the heavy redaction they are examining the contract and service provision to insure they provide value for money.

Resolved:

That the auditor's report be noted.

66. INTERNAL AUDIT licensing (Item 7)

MC introduced the audit of this service as 'substantial' and 'substantial' showing nothing to cause concern.

The Councillors made some comments about the need for councillors to be properly trained regarding Licensing. Cllr Douris suggested that the team should find a way to encourage the payment of small amounts by direct debit.

Resolved:

That the report be noted.

67. INTERNAL AUDIT Payment Card Industry Data Security (Item 7)

MC opened this matter with reference to the summary and the 'full'/'substantial' status of the audit. He added that the auditors do not often award full status and that this should be noted. He went on to say that members would be sent the complete summary after the meeting.

Cllr W Wyatt-Lowe asked if the scheme contained adequate defenses against internal fraud. MC responded that the auditors are broadly comfortable with the controls in place. J Worts, Information Security Manager (JW) added that in his opinion DBC have any likely gaps in security well covered.

JW then went on to speak about the rigorous PSN compliance methods that DBC have introduced regarding Data Security. Further guidance to members on good Social media practice and the training are to increase the profile of data security for members. MC stressed that effective password control is fundamental to good security.

Cllr W Wyatt-Lowe requested that members be provided with the following:

- What was the total amount the Council received in card payments over the last year?
- What does this figure represent as a percentage of overall receipts?
- What is the cost to the Council of accepting these transactions? and
- What is the Council doing to reduce this cost?

Action

The Director of Finance agreed to put together the answers to these questions and reply in writing to the members of the committee.

Resolved;

That the report be noted.

68. INTERNAL AUDIT Right to buy (Item 7)

MC advised the committee that one of the main concerns for the auditors was to see that the Council was taking adequate steps to reduce the risk of the right to buy being abused as part of a money laundering scheme. He stressed that it is essential that the council adopts strong procedures to strengthen recording. He pointed out that any increase in the opportunities for right to buy would also mean more likelihood of the scheme being abused.

Cllr Douris suggested that the procedure for Identity and Tenancy checks should include an explicit commitment to be actioned within 28 days of receipt in line with auditor's recommendation 2.

Resolved

That the report be noted and the recommendations of the auditors endorsed.

68. INTERNAL AUDIT Performance Management (Item 7)

MC of Mazars introduced this item which rated a 'Full' and 'Full' assessment which is a very positive message.

Cllr Tindall drew attention to the lack of evidence that officers had attended the performance clinics set up in response to identified issues.

R Smyth, Assistant Director (Performance) (RS) assured the committee that new measure had been introduced to strengthen the performance clinics and permit them to insist that the relevant officers attend. In addition the good work will be expanded to

other services in the new year.

69 WORK PROGRAMME 2015/16

The members considered the Audit Committee work programme for 2015/16

There were no changes or additions to the Work Programme except to look forward to the presentation of the Annual Audit Plan at the February meeting.

The meeting ended at 21.00 pm