

Minutes of the meeting of the **AUDIT COMMITTEE** held on **TUESDAY 28 MARCH 2017** at 7.00 pm

Present: Councillor P Geary (Chair)
Councillors Bald, R Bradburn, Cannon, Dransfield, C Wilson and K Wilson

Independent

Member: Mr I Farookhi, Mr W Bush, Mr N Nyamazana (Minute AC 29 onwards)

Officers: N Jones (Corporate Director Resources), D Wilkinson (Chief Auditor), S Bridglalsingh (Service Director [Legal and Democratic Services]), P Strangward (Audit Services Manager), S Tinkler (Interim Audit Services Manager), J Pettitt (Risk Manager) and D Imbimbo (Committee Manager)

Also Present: Mrs M Grindley (Ernst and Young)

Apologies: Councillor Burke

AC41 DISCLOSURE OF INTERESTS

No declarations were made.

AC42 MINUTES

RESOLVED –

That the Minutes of the meeting of the Audit Committee held on 29 November 2017 be approved and signed by the Chair as a correct record.

AC43 APPOINTMENT OF INDEPENDENT MEMBERS

The Committee considered a report in respect of the appointment of Independent Members to the Committee.

Councillor P Geary explained that following interviews the interviewing panel had recognised that two of the candidates had skills and experience that would benefit the Committee in equal measure and therefore he proposed that Mr W Bush and Mr N Nyamazana be appointed as non-voting Independent Members of the Audit Committee, this was seconded by Councillor K Wilson.

RESOLVED –

That Mr W Bush and Mr N Nyamazana be appointed as non-voting Independent Members of the Audit Committee for a four year period

The Committee adjourned to allow formalities to be completed.

Mr Bush and Mr Nyamazana joined the Committee.

AC44 DECLARATION OF INTERESTS

Neither of the newly appointed Independent Members declared any interest in the business to be undertaken.

AC45 COUNCILLORS' ITEM

The Committee heard that apologies had been received from Councillor C Williams due to sickness, who had requested that the Committee defer the Item until its next meeting.

RESOLVED –

That the item be deferred until the next meeting of the committee.

AC46 ADDED VALUE – CONTRACT MANAGEMENT

The Committee heard that apologies had been received from Councillor C Williams due to sickness, who had requested that the Committee defer the Item until its next meeting this matter being linked to that at Minute AC45. The Committee heard that Councillor C Williams had undertaken to submit a report in advance of the meeting setting out his concerns in respect of the Item, and to discuss with the Chief Auditor any further work required in advance of the meeting.

RESOLVED –

That the item be deferred until the next meeting of the committee.

AC46 EXTERNAL AUDIT UPDATE

The Committee considered the External Auditor's Audit Plan and Certification of Claims and Returns Annual Report.

The committee heard from the external auditor that in respect of the audit plan that the significant risks that had been identified were principally driven by the standards to which Audit operated and therefore does not indicate that a particular concern was held in respect of these matters. The other risk identified was that of the Financial Statements Presentation which would see changes and therefore had risks associated with it.

In respect the 'Value for Money' conclusion the risk of Financial Resilience was in light of the funding gaps being experienced by all Councils and the working with partners risk was primarily in respect of the residual waste project.

The Committee heard from the Corporate Director Resources that a number of internal checks were in place to identify and address any risks associated with management override at an early stage.

Councillor Dransfield sought assurances that independent checks and balances were in place to identify any risk associated with Management Override. The Corporate Director Resources explained the Controls that were in place.

The External Auditor confirmed that this matter had been examined

the previous year and no concerns were raised, a similar audit would be undertaken for the current year.

The committee heard that in respect of the Housing Benefit Claims Audit, the work undertaken was set out by the Department of Work and Pensions (DWP) and was a detailed audit process. If any issues are identified these are reported to the DWP who will indicate what action they want taking. In conducting the audit a number of errors were identified. The Committee was told that the work was complex and regularly changing and therefore emphasis needed to be put on ensuring that ongoing training was provided to Officers.

The Committee was told that both overpayments and underpayments had been found but the DWP was particularly interested in overpayment. Therefore a recommendation had been made that the Council continue to provide training and quality control, it was further noted that any overpayment was recovered.

It was noted that the extent of the problem was not detailed in the report which was due to the methodology required to be used by the DWP, however the letter to the DWP which set out the findings from the sampling could be made available to the Committee.

Councillor Dransfield asked that it be noted that he had not taken part in the discussion relating to the audit of benefit claims.

It was noted that a works improvement plan had been set and was being applied, the Chair asked that the Corporate Director Resources provide a note setting out the actions.

RESOLVED –

1. That the reports be noted, and,
2. That the recommendation to deliver staff training and quality control in respect of Benefit claims be endorsed.

AC47

REVIEW OF PREVIOUS DECISIONS – DECISION TRACKER

The Committee reviewed the decision tracker, which set out outstanding actions resulting from previous decisions of the Committee, and noted the progress against the various actions.

It was noted;

That in respect of AC24 and AC39, (Asbestos), there was no update.

That in respect of AC25, (A421 Project), there was no update.

That in respect of AC31 (Budget Scrutiny Referral – Waste) an initial assessment had been undertaken by the Chief Auditor and a briefing note had been provided to the Chair, he would now have a discussion with the Chair to establish what extra work was required, therefore the Item remains as 'active'.

RESOLVED –

That the report be noted.

AC48

RISK MANAGEMENT UPDATE

The Committee considered a report in respect of Risk Management.

The Risk Manager told the Committee that the report set out the identified Corporate Strategic Risks and Directorate 'Top' Risks. It also looked at Project Risk Management.

It was also noted that work was being undertaken to examine any potential risks associated with 'Brexit'.

It was noted that within some risk schedules responsibility for initiatives were not allocated to individually named Officers. The Risk Manager advised that where there were multiple persons responsible for an action the system left the field blank, however the risk owner was listed on the form.

Members of the Committee asked that in such instances the name of the most senior Officer be included.

It was commented that it may be appropriate to identify the relevant Councillor or Cabinet Member in some instances.

Mr Farookhi welcomed the inclusion of the issue of Organisational Capacity in the risks, and commented that he saw an improvement on previous reports, he commented that the reduction in management staff increased the risk of management override and note ought to be taken of this. The Risk Manager assured Mr Farookhi that the documents were live and subject to change on a regular basis rather than when reviewed quarterly.

Councillor C Wilson asked whether consideration had been given to the strategy to tackle homelessness which represented a financial risk to the Council, the Risk Manager confirmed that whilst not referred to directly the risk identification had been matched to corporate objectives and would be picked up in that respect. The Committee took a view that the issue of homelessness did require some mention within the reports.

Councillor Bald commented that risk identification appears to come from GRACE and is therefore reliant on a 'bottom up' approach where a risk remains at top line of management that risks could be missed so a 'top down' approach was also required.

The Chief Auditor confirmed that 'top down' risk was considered as part of a 360 degree review. He further confirmed that the risk register referred to the risk of not achieving the reduction in Bed and Breakfast Accommodation provided by the Council required as part of the homelessness strategy.

RESOLVED –

1. That the amendments to the Risk Registers agreed by the Corporate Leadership Team on the 16 February 2017 be noted.

2. That the current Directorate level risks and how these interact with the priorities set out in the Council Plan be noted.
3. That the work being completed to review the risks and how they will align against the Council Plan priorities be noted.
4. That the Committee's comments be noted and action taken as required

AC49

INTERNAL AUDIT PLAN 2017/18

The Committee considered the Internal Audit Plan for 2017 – 2018. The Chief Auditor told the Committee that a list of audits planned for the period had been aligned to the four strategic risks to facilitate the assessment of control across the Council. It was also confirmed that a revised audit Charter had been produced.

The Interim Audit Manager told the Committee that the Audit Plan had been compiled following extensive discussion with the Corporate Leadership Team. There was to be a focus on ensuring that Internal Controls were robust and adequate to provide the level of reassurance required.

The Committee was assured that the plan was designed to be as flexible as possible to recognise changes within the risk environment. Should changes be required to the plan to address new emerging risks the Committee would be advised.

The Committee heard that the Internal Audit Charter underpinned the approach that would be taken in conducting Audits within the Council. The Committee was told that assurances would now be provided in a three tier approach as detailed within the Charter.

It was noted that the audit days allocated to Place Directorate was equal to that of the People Directorate where one might expect a greater risk. The Interim Audit Manager confirmed that the allocation of days was both indicative and flexible and it may be during scoping and testing that the allocation would be amended. It was further commented that in some instances Internal Audit could rely on the work of External Audit or Ofsted to offset the need for additional work and time.

The Committee commented that at page 11 of the Charter the final sentence required an additional comment to state that where Fraud was suspected there was a requirement to report it to the relevant manager. It was further commented that merit should be given to reducing the number of Audits but making those that are conducted more in depth. In particular the Residual Waste Transfer Facility Audit and the new E.R.P. systems were matters that the Committee believed should be looked at in depth and more time allocated than was indicated on the present plan.

It was confirmed by the Interim Audit Manager that work would be conducted in respect of the E.R.P. system throughout the year leading to its implementation to ensure that there is not a

retrospective audit, although additional work will be conducted once it has gone live in September 2017. It was further commented that the scope of work in respect of the Waste Facility had not yet been conducted and the figure would be adjusted to meet the needs of the audit once known.

Mr Farookhi commented that he believed that as the Audit Plan was at the planning stage it ought to be more strategic than it was at present, particularly looking at Internal Control Measures. It was further commented that when reviewing the list of planned Audits there was no indication as to why the particular audit was to be conducted, i.e. was it for internal control reasons or another reason.

The Chief Auditor advised that the Charter sought to address the Strategic position but recognised the comments and would consider any amendments that would be appropriate. Further it was confirmed that shared learning was undertaken with LGSS partners where audits reflect similar issues.

RESOLVED –

1. That the report and comments be noted.
2. That the Draft Internal Audit Plan be approved.
3. That the Charter which reflected the Internal Audit Service now being delivered by the LGSS as a shared Service be noted.

AC50

INTERNAL AUDIT PROGRESS UPDATE

The Committee considered an update of progress against the Annual Audit Plan 2016/17, which also highlighted any significant issues which has arisen since the last report considered by the Committee.

The Committee noted that as at 28 February 2017 64% of the plan had been delivered 27% of planned audits had been started and were work in progress, much of this had now also been completed.

The Committee also noted that now essential actions remained outstanding following work conducted as follow up audits, and there had been an increased client satisfaction response following audits.

RESOLVED –

That the report be noted and the proposed revisions to the plan be agreed.

AC51

ANNUAL GOVERNANCE STATEMENT - UPDATE

The Committee received details of progress against the adopted Annual Governance Statement Action Plan.

The Committee noted that the Annual Governance Statement was approved by the Committee, in accordance with the Accounts and Audit Regulations 2011 (2015 amended), as part of the Annual Accounts at the June and September meetings

It was noted that changes had been made to take account of guidance issued by the Chartered Institute of Public Finance and Accounting (CIPFA). This would now need to be submitted to Cabinet for approval.

Work was now commencing on drafting the 2016/17 Annual Governance Statement and it was proposed that the Chair and Vice Chairs of the Committee be once again approved as the Task Group to assist in conducting this work.

RESOLVED –

1. That the progress on actions for the Annual Governance Statement 2015/16 be noted.
2. That the Committee Chair and Vice Chairs be approved as the Task Group to assist in the drafting of the Annual Governance Statement 2016/17 prior to its consideration by the Committee at its next meeting.
3. That the revised Code of Governance be endorsed for submission to Cabinet for approval.

AC52

REVIEW OF POLICIES

The Committee considered a report setting out detail of a review of the annual review of the Councils Governance policies in respect of Anti-Fraud and Corruption, Anti-Money Laundering and Whistleblowing.

It was noted that changes that had been made were essentially 'cosmetic' such as name and title changes.

Councillor Dransfield questioned the point of naming individuals rather than their office as it required changes as personnel changed, The Chief Internal Auditor confirmed that in respect of the Money-Laundering policy there was a legal requirement to name designated officers, in respect of the Whistleblowing policy the Council has a choice, and the reason the policy has named individuals was that this was reacting to both feedback from persons who had engaged the policy and previous discussion at committee where a view was taken that the personalisation within the policy made it easier for people to engage with.

It was also noted that some of the policies had a foreword whereas others did not, the Committee took a view that all should do so.

RESOLVED –

1. That the policies be endorsed and submitted to the relevant Cabinet Member for approval by way of Delegated Decision.
2. That policies would continue to have individual Officer named therein.

THE CHAIR CLOSED THE MEETING AT 8:53 PM