



Minutes of the meeting of the AUDIT COMMITTEE held on TUESDAY  
23 JUNE 2015 at 7.00 pm

**Present:** Councillor McDonald (Chair)  
Councillors Bradburn, Burke, Cannon, Ganatra, Hosking and White

**Independent  
Members:** Ms B Cole and Mr I Farookhi

**Officers:** T Hannam (Corporate Director Resources), D Wilkinson (Interim Partnership Director), N Jones (Service Director Finance and Resources), L Baker (Head of Internal Audit), V Errington (Finance Control & Partnerships Manager), S Gerrard (Interim Service Director Legal and Democratic Services) and D Imbimbo (Committee Manager).

**Apologies:** Ms M Grindley and Ms C Ryan (Ernst and Young)

#### **AC03 CHAIRS WELCOME**

The Chair Welcomed Members and Officers. Officers were invited to explain their roles in respect of the Audit Committee. The Interim Partnership Director explained the concept, purpose and operating remit of the Milton Keynes Service Partnership and explained the role and responsibilities of the Audit Committee.

#### **AC04 MINUTES**

RESOLVED –

That the Minutes of the meetings of the Audit Committee held on 31 MARCH 2015 and 27 MAY 2015 be approved and signed by the Chair as a correct record.

Councillor Hosking sought clarity as to why the resolution at Minute AC50 had not been carried out,

‘That the Head of OP and PD Services and the Head of Policy and Performance in respect of Adult Social Care CONTrOCC audit and the Parking Strategy and Implementation Manager and the Revenues & Benefits Service Delivery Manager in respect of Parking be asked to attend the next meeting of the Committee to report on the findings of the Internal Audits and measures being taken to address identified weaknesses’, had not been complied with as the matters were not on the agenda for the meeting.

The Head of Internal Audit explained that there had been progress in respect of the parking revenue issues in so far as a new Parking Contracts and Operations Manager had been appointed, the

individual was very experienced and recognised the concerns of the Council and was actively addressing the issues identified as requiring action, it was anticipated that full safeguards would be in place by July and it was the intention to conduct a follow-up Audit once this had been completed and a report would be brought to the September meeting of the Committee, this had been discussed and agreed with the Chair and Vice-Chairs at their briefing. All issues highlighted in the ContrOCC have been addressed and a formal follow up will be undertaken shortly.

The Committee heard from the Chair that any outstanding matters were recorded on the Audit Forward Plan, this would be circulated to Members of the Committee.

Members of the Committee asked that a 'Matters Arising' Item be included on future Agenda to ensure that any outstanding actions were reported on.

**AC05                    DISCLOSURE OF INTERESTS**

No disclosures were made.

**AC06                    CHAIR'S REPORT 2014-15**

The Committee considered the Chairs Annual report. Members of the Committee asked why there was no reference to the staffing issues within Internal Audit. The Chair told the committee that as this matter had not been raised as an issue in the Internal Audit report it had not been included in the Chairs report although should it become a significant risk it would be reported as necessary.

RESOLVED –

That the report be noted.

**AC07                    EXTERNAL AUDIT ITEMS**

The Corporate Director Resources told the Committee that due to unforeseen circumstances the External Auditors were unable to attend the meeting, however, it should be noted that the purpose of their attendance would have been to brief the Committee on the Audit that would be undertaken over the next few months rather than report on any particular issues. The Committee was invited to make any comments to the Corporate Director Resources who would pass them to the External Auditors.

The Committee heard that one of the main focuses of the External Audit would be to look at how the Authority would be seeking to address potential financial challenges going forward in the face of the budget deficits that were being faced.

Councillor White asked that the Corporate Director Resources make the External Auditors aware that he held concerns in respect of the saving and cuts being implemented by the Department of Work and Pensions and the risks this would pose to the Council and the national picture and whether Ernst and Young were looking at these

issues, and concerns that the Committee had that their work was conducted in the last few weeks of September rather than starting earlier.

The Corporate Director Resources told the Committee that the External Auditors would take a view that a National issue was a matter for the National Audit Office to comment on. In respect of the impact on Milton Keynes Council, they will look at how the Council had responded to it.

The Committee also heard that the Corporate Director Resources had discussed with the Auditors the timing of the Audit but it was possible that the compression of the timing could get worse in the future years. It was hoped therefore that the Audit could be brought forward in future years to address this matter.

The Chair pointed out that on page 3 of the Interim report there was an error in so far as the cumulative budget gap was quoted at £5.5M and this should read £15.5M.

RESOLVED –

1. That the report be noted, and,
2. That the comments be passed to the External Auditors.

## **AC08**

### **ANNUAL GOVERNANCE STATEMENT 2014/15**

The Committee considered a report in respect of the 2014/15 Annual Governance Statement (AGS).

The Head of Internal Audit explained the legal basis and requirements to publish an Annual Governance Statement. The Committee heard that the draft Statement had undergone a review by the Committee Chair and Vice Chairs and was now presented to the Committee for approval.

It was noted that there was a focus on Strategic issues rather than Operational, it was also noted that four actions had been carried forward from the 2013/14 statement as previously reported to the Committee. Progress of the actions would be reported to the Committee in January 2016 as most had implementation dates after December 2015.

The Committee was asked to approve the draft Annual Governance Statement and nominate Members of the Committee to a review group to consider the 2015/16 AGS.

Ms. Cole commented that she would expect to see the Governance Framework linked to the 3 lines of defence. The Head of Internal Audit agreed to consider depicting this model in the 2015-16 statement.

Councillor White raised concerns in respect of the use of an 'implications' section within all Committee reports that was becoming

a 'tick box' exercise rather than having any evidenced data to support assertions.

It was also noted that concerns were held that as more cuts were being applied risk aversion was increasing over risk management, this was a matter that needed to be taken account of when reviewing risk.

Councillor White also commented that whilst a programme of training relevant staff in the use of GRACE had been undertaken some 3 years previously, there did not seem to be a programme to continue that training for new staff or provide refresher training. He also commented that whilst the 'Whistle-blowing' policy was good there was a need to consider the cultural context generally in an environment where there have been high profile cases nationally where the 'Whistle-blower' has become the subject of scrutiny, and the impact this could have on the effectiveness of the policy.

It was also noted that due to the reduced staffing levels across the Council there was less opportunity for peer review of procedures, this was a matter that needed to be addressed by procedures for teams as key personnel are reduced.

Councillor White confirmed that his comments were observations rather than requests for changes to the AGS.

RESOLVED –

1. That the Report be noted, and,
2. That the draft Annual Governance Statement be approved, and,
3. That the Chair, Vice Chairs and one or both Independent Member(s), (if available), be appointed to the Annual Governance Statement 2015-16 review group.

## **AC09**

### **INTERNAL AUDIT AND ANTI-FRAUD 2014/15 ANNUAL REVIEW**

The Committee considered a report in respect the Internal Audit 2014/15 Annual Review.

The Committee heard that the Head of Internal Audit (HIA) was required to give a formal annual opinion regarding the Council's Systems of Control, based upon the work undertaken throughout the year. The HIA was also required to highlight at any time whether any issue prevents the Internal Audit service from undertaking the necessary work upon which to base such opinion.

The Accounts and Audit (Amendment) (England) Regulations 2011 also required councils to conduct a review of the effectiveness of their system of internal audit at least once a year and the findings of the review to be considered by a Committee of the Council

The HIA told the Committee that the purpose of this report was to satisfy those requirements. The Committee heard that whilst the opinion remained as 'Satisfactory' there was a general trend of

improvement from previous years. This was evidenced by the number of 'Good' and 'Satisfactory' opinions issued over the year.

The Committee heard that all significant issues highlighted in the report have now been resolved or action was underway to address them.

It was noted the Fraud Investigation undertaken had seen more emphasis on pro-active investigation rather than reactive. Benefit fraud investigation had been passed to the DWP.

It was further noted that there had been a reduction in training; this was because the number of students and apprentices employed within Internal Audit had been reduced and the present staff profile was of more experienced auditors.

Members sought assurances that a robust process for disseminating good practice existed across the Council and that lessons were being learnt on an institutional basis, and whether this could be evidenced.

The Corporate Director Resources assured the Committee that the Senior Management Team was committed to the dissemination of good practice and maintained a close overview of such issues.

Mr. Farookhi raised some concerns over the 'Satisfactory' audit opinion when some significant issues had been raised during the year. The Committee was told that in the context of the Council as a whole the majority of the systems, services and projects were delivered well and it was these exceptions that tended to be brought to the Committee's attention.

RESOLVED –

1. That the Head of Internal Audit's opinion on the Councils control environment be noted, and,
2. That the Committee considered that Councils system for Internal Audit be deemed to have proven effective for 2014-15

## **AC10**

### **DRAFT STATEMENT OF ACCOUNTS**

The Committee considered a report in respect of the draft Statement of Accounts.

The Corporate Director Resources told the Committee that the purpose of the report was to present the Committee with a view of the draft Statement of Accounts in advance of it being sent to the External Auditors so that any comments the Committee had could be made known to them. It was noted also that Members of the Committee were invited to submit comments later.

The Corporate Director Resources told the Committee that he recognised that the document was complex and proved difficult for many people to interpret but was drawn up under the regulations as required, however, they had been simplified and the size reduced wherever possible.

The Committee was asked to approve the Draft Accounts prior to the external audit which was set to start in July.

Members of the Committee heard an explanation of the borrowing arrangements undertaken by the Council and the rationale for the increases necessitated by the Residual Waste Treatment Facility which was set to start operating in 2016.

RESOLVED –

That the Accounting Policies for Milton Keynes Council be approved.

THE CHAIR CLOSED THE MEETING AT 8:28 PM