

## **AUDIT COMMITTEE**

**TUESDAY, 27 JUNE 2017**

PRESENT:- Councillors Steve Weisinger (Chair), John Ballman, Malcolm Davies, Mary Friend, Des Moffatt and Kevin Small.

An apology for absence was received from Councillor Nick Martin.

### **1. Appointment of Vice-Chair**

Resolved – That Councillor Nick Martin be Vice-Chair of this Committee for the Municipal Year 2017/18.

### **2. Declarations of Interest**

The Chair reminded members of the need to declare known interests in any matters to be considered at the meeting. No declarations were made.

### **3. Public Question Time**

There were no public questions.

### **4. Minutes**

Resolved - (1) That the minutes of the meeting held on 4<sup>th</sup> April, 2017, be confirmed and signed.

### **5. Corporate Fraud Team presentation**

The Committee received a presentation regarding the work of the Corporate Fraud Team. The Principal Auditor advised that following a successful bid to the Department for Communities and Local Government for counter fraud funding in 2014, a team was set up to focus on the prevention and detention of Housing Tenancy Fraud with the aim of promptly recovering properties being misused. It was noted that the team was now being funded through the housing budget following successful results. The Principal Auditor referred to the role of the team and elaborated on the areas being investigated and invited the Committee to note the team's successes and the revenue that had been generated to date as a result of its introduction. In order to better explain the work being undertaken by the team, the Principal Auditor took members through an example case. The Committee noted that data was collated nationally to aid the benchmarking process.

The Principal Auditor responded to members' questions and comments on the following:

- The interview process and confirmation that those interviewed were not normally under police caution.
- The financial implications when people were prosecuted.
- Actions undertaken to address the misuse of disabled blue badge parking permits.
- Discounts saved through checks carried out on right to buy applications.

- Actions taken to address tenants unlawfully living in a property.
  - The work of the building control officers.
  - Confirmation of continuing single person status was requested from tenants every two years for council tax purposes.
  - Academy staff recruitment processes.
- Resolved – That the report be noted.

## **6. Treasury Management Performance 2016/17**

The Committee received a report of the Director of Finance (Section 151 Officer), setting out the Treasury Management performance for 2016/17. The Director presented the report and responded to questions regarding the investment associated with the Housing Revenue Account, the investment capital programme for 2016/17, long and short term loans, the profile of repayment of these loans and the future of the Public Works Loan Board.

Resolved – (1) That the 2016/17 Treasury Management performance, as detailed at paragraphs 3.1 to 3.17 of the report, and the Prudential Indicators shown at Appendix 1 to the report, be noted.

(2) That the Director of Finance circulate information regarding the investment associated with the Housing Revenue Account.

(3) That the Director of Finance provide an information on the duration of long-term borrowing, based on the term at the time the borrowing was undertaken

(4) That the Director of Finance inform Elected Members if changes to the Public Works Loan Board are to be implemented.

## **7. Audit Committee: Annual Report 2016/17**

The Chair of the Committee introduced the Committee's Annual Report for 2016/17.

Resolved – (1) That the report be noted.

(2) That the Head of Internal Audit and his team be thanked for all their hard work in support of the Council's audit function over the course of the year.

## **8. Audit Committee: Terms of Reference and Work Plan**

The Committee received a report of the Head of Internal Audit on the Audit Committee's terms of reference and details of the Committee's draft work programme for 2017/18.

Resolved – That the Audit Committee's terms of reference and its draft work programme for 2017/18, appended to the report, be approved.

## **9. Head of Internal Audit Annual Report**

The Committee received the Head of Internal Audit's Annual Report for 2016/17. It was noted that it was a requirement of the Public Sector Internal Audit Standards that the Head of Internal Audit deliver an annual internal audit opinion and report that could be used by the organisation to inform its governance statement and that the annual internal audit opinion must conclude on the overall governance, risk management and internal control arrangements of the organisation. The Annual Report provided the Committee with assurance from the Head of Internal Audit regarding the work of the Internal Audit section and his opinion with regard to the Council's overall arrangements for internal control.

The Head of Internal Audit responded to members' questions and comments on the following:

- The importance of auditing business partners.
- Areas requiring targeted focus to progress from "moderate" to "high" standards and the need for cabinet members to be proactively involved in the process.
- The recruitment of a Senior Auditor.
- Contract management, particularly relating to the delivery of the Housing Capital programme.

Resolved – That the report and, in particular, the Head of Internal Audit's overall opinion that the Council's internal control arrangements relating to its main financial systems during 2016/17 were found to be satisfactory, resulting in an overall risk assessment to the Council as being 'moderate' be noted.

## **10. DRAFT Annual Governance Statement**

The Head of Internal Audit submitted a report providing the Committee with details of the draft Annual Governance Statement 2016/17, setting out the Council's governance arrangements and providing an assessment of the performance of those arrangements over the year. He commented on the key areas of focus that included GCSE attainment and the transfer of staff from SEQOL. He responded to a query regarding the Local Authority's involvement with academies to raise attainment standards and on the working relationship between the Local Authority and academies.

Resolved – (1) That the draft Annual Governance Statement 2016/17, appended to the report, be approved.

(2) That it be noted that the final version of the Annual Governance Statement would be signed off by the Leader of the Council and the Chief Executive in September 2017.

(3) That the Head of Education be requested to submit a report regarding the work being conducted with academies to raise attainment standards in schools.

## **11. Update regarding changes to arrangements for appointment of an External Auditor**

The Head of Internal Audit submitted a report updating the Committee regarding the arrangements for appointing External Auditors following the closure of the Audit Commission and the end of the transitional arrangements at the conclusion of the 2017/18 audits. He referred to the Auditor Appointment Timetable that reflected the procurement process and members noted that there were five contracts for the bids.

Resolved – That the updated position regarding the appointment of External Auditors including the timescales for challenging any appointment, report be noted.

## **12. External Audit - progress and update report**

Chris Hackett (Grant Thornton) presented the Audit Committee Progress and Update Report for the Council for the year ended 31<sup>st</sup> March 2017, referring to the progress, as at 14<sup>th</sup> June 2017, in respect of the delivery of their audit responsibilities and also the timetable of work being undertaken by the External Audit team, including deadlines for work to be undertaken. The report also included

a summary of key emerging national issues and developments that might be of interest to the Committee. Mr Hackett responded at the meeting regarding the purpose of the annual school pension return and the property investments being undertaken by the Local Authority. He confirmed that property investment currently represents best value for money for the Local Authority.

Resolved – That the Update and Progress Report for the year ended 31<sup>st</sup> March 2017 be accepted.

### **13. Head of Internal Audit Update**

The Committee received a report of the Head of Internal Audit summarising the main issues arising from the Internal Audit reports finalised since the last Audit Committee in April 2017, progress made against the Annual Internal Audit Plan 2016/17 and Internal Audit staffing and resource issues. The Head of Internal Audit advised that a more structured project management approach to guide the TUPE was necessary to ensure consistency and robustness to the process. He confirmed that designated officers from the Legal and Finance departments would be involved in any transfer processes.

Resolved – (1) That the report be noted.

(2) That, in addition to the Audit reports scheduled for consideration at the next meeting of the Committee, the Head of ICT be requested to update the Committee on the position regarding the Council's IT Security arrangements and IT Service provision.

(3) That an update on the effects of Universal Credits on housing rent collections be submitted at the next meeting of this Committee.