

## **AUDIT COMMITTEE**

**TUESDAY, 17 NOVEMBER 2015**

**PRESENT:-** Councillors Steve Weisinger (Chair), Steve Allsopp, Oliver Donachie, Nick Martin, Des Moffatt, Maureen Penny and Kevin Small.

An apology for absence was received from Councillor Mark Edwards.

### **24. Declarations of Interest**

The Chair reminded members of the need to declare known interests in any matters to be considered at the meeting.

### **25. Public Question Time**

There were no public questions.

### **26. Minutes**

Resolved - That the minutes of the meeting held on 29<sup>th</sup> September 2015 be confirmed and signed.

### **27. Mid-Year Treasury Performance 2015-16**

The Committee received a report of the Board Director, Resources, setting out the Council's mid-year Treasury Management performance for the period to the end of September 2015/16 in relation to (i) its long-term borrowing for capital investment and short-term borrowing for temporary cash flow purposes and (ii) its investment of surplus cash.

Mr Paul Smith, the Council's Head of Technical Finance, was in attendance to present the report and responded to members' specific questions on some of the issues raised in relation to the report's analysis of the Council's debt and investment position.

Resolved – (1) That the Council's mid-year Treasury Management performance position, as at end September 2015, be noted.

(2) That, in response to members' comments at the meeting, this report should, in future, provide additional information on daily cash flow balances and that the officer be asked to circulate to members this information as applicable to the period to end September 2015.

(3) That the External Auditor be asked to provide a written response to the Committee's query regarding the appropriate nominated authority for raising additional premiums on business rates.

### **28. Internal Audit follow-up review: Licensing (Taxi and Private Hire)**

The Committee received a follow-up review of the initial audit report on "Licensing (Taxis and Private Hire)", which review, completed in December 2014 and reported to Audit Committee in March 2015, had concluded that whilst many aspects of the

Licensing system were working effectively, some fundamental internal controls were missing. Consequently, the audit conclusion was that there were fundamental weaknesses in the internal control arrangements leading to a 'significant' risk to the Council.

The Committee noted that the follow-up review had established that a number of the audit recommendations had been fully implemented and that further recommendations, including the main outstanding matter, relating to the reconciliation of income collected and services provided, had been implemented since completion of the follow-up review.

The Council's Head of Planning, Regulatory Services, Heritage and Libraries and the Licensing Manager were in attendance and provided a current position statement in relation to the implementation of the internal audit recommendations and responded to members' questions on issues raised regarding identified risk areas, the management response to the audit conclusions and key recommendations, and progress in implementing the action plan.

Resolved – (1) That the report, and the management response to the audit review recommendations, be noted.

(2) That members be advised of the specific Key Performance Indicators that have been put in place to facilitate monitoring of the effective delivery of service improvements.

(3) That the significant work that has been carried out to improve the Council's Taxi and Private Hire Licensing system, in response to the audit findings, be recognised and welcomed.

(3) That, with regard to the arrangements introduced from 1<sup>st</sup> November to reconcile income collected and services provided, the Head of Internal Audit be asked to conduct a review of the effectiveness of the arrangements and to report his findings to the Committee if appropriate.

## **29. Internal Audit Charter**

The Committee received a report of the Head of Internal Audit inviting members to review and approve the Council's Internal Audit Charter. It was noted that the Audit Charter was a requirement of the Public Sector Internal Audit Standards (PSIAS), which standards provided the mandatory guidance that constituted the principles of the fundamental requirements for the professional practice of internal auditing within the public sector and for the evaluation of the effectiveness of Internal Audit's performance.

Resolved – That the Internal Audit Charter, appended to the report, be approved.

## **30. External Audit**

### **(i) The Annual Audit Letter**

The Committee received the External Auditors' Annual Audit letter. It was noted that it was the intention that the Letter should communicate key messages to the Council and to external stakeholders, including members of the public.

Liz Cave, the External Auditors' Engagement Lead for the Council, introduced the report, summarising the key findings arising from their work at the Council for the

year ended 31 March 2015, as reported in detail to the last meeting of the Audit Committee in the Audit Findings report, and commenting on the following residual risk areas:

- Financial Resilience – the funding gap over the period of the next three years and the need to find on-going savings to ensure that the budget can be balanced.
- The management of the service transformation programme.
- The recruitment and retention of social workers and the impact on the efficiency of the service.

Ms Cave made particular reference to the issue reported to the last meeting, regarding a potential change in the draft 2014/15 accounts of a wholly owned subsidiary of the Council, commenting that, to her knowledge, the issue remained outstanding. Whilst she fully expected that the issue would be appropriately resolved, she suggested that the resolution of this matter should be reported to members of the Audit Committee.

Resolved – (1) That the report be noted.

(2) That the External Auditor provide members with details of the guidance pertinent to local authorities' responsibility to appoint an independent reporting accountant for the certification of the Teachers' pension return.

#### (ii) Update

Liz Cave (Grant Thornton) presented a report advising the Committee of the External Auditors' progress, as at 17<sup>th</sup> November 2015, in respect of the delivery of their audit responsibilities. Ms Cave advised members that the External Auditors' Audit Plan for 2015/16 would be submitted to the Committee early in 2016 for approval and commented on the influence on the Plan of the following two medium term issues:

- The Government's intention to bring forward by two months the timetable for signing off local authority accounts.
- The Government's intention to bring highways infrastructure on to the balance sheet at replacement cost.

The Update report also included a summary of key emerging national issues and developments that might be of interest to the Committee.

Resolved – (1) That the update report and the summary of key emerging national issues and developments be noted.

(2) That, further to Councillor Donachie's comments about his concerns regarding levels of written off miscellaneous expenses, as identified in a meeting he had attended previously, the support officers for that previous meeting be asked to provide a breakdown of the aforementioned miscellaneous expenses in order that this might be considered by the Audit Committee.

(Councillor Oliver Donachie made a non-prejudicial declaration of interest in respect of the Committee's consideration of this item on the grounds of his appointment as a non-executive Director of Public Power Solutions).

**31.**

### **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 meeting in September 2015, progress made against the Annual Internal Audit Plan 2015/16 and Internal Audit staffing and resource issues.

Resolved – (1) That the report be noted.

(2) That the Head of Internal Audit determine which, if any, audit review(s), completed between now and the next scheduled meeting, should be submitted to the Committee for detailed consideration.