

## **AUDIT COMMITTEE**

**TUESDAY, 15 JULY 2014**

**PRESENT:-** Councillors Steve Weisinger (Chair), Steve Allsopp, Roderick Bluh, Michael Bray, Oliver Donachie and Neil Heavens.

Apologies for absence were received from Councillors Mark Edwards, Nick Martin and Des Moffatt.

### **1. Declarations of Interest**

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

In accordance with the National Code of Local Government Conduct, Councillor Steve Allsopp made a non-prejudicial declaration of interest in respect of his appointment as a Council representative on the Board of Thamesdown Transport.

### **2. Section 100B(4)(b) of the Local Government Act 1972**

The Chair advised that, in accordance with Section 100B(4)(b) of the Local Government Act 1972, the following additional urgent item would be considered as a matter of urgency on the basis that the report informed the Committee's consideration, at this meeting, of the Draft Annual Governance Statement (Agenda Item No. 10)

"Additional Urgent Item – Review of the effectiveness of the system of internal audit."

The Chair also indicated his intention to change the order in which items were considered in order to accommodate consideration of this item.

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

Resolved - That Councillor Oliver Donachie be appointed as Vice-Chair of the Audit Committee for the Municipal Year 2014/15.

### **4. Public Question Time**

There were no public questions.

### **5. Minutes**

Resolved - That the minutes of the meeting held on 15<sup>th</sup> April 2014 be confirmed and signed.

### **6. Internal Audit reports identifying 'significant' risk or 'of concern': Tenancy Engagement**

The Committee received a report on the latest position in relation to the

implementation of Internal Audit recommendations arising from the audit review “Tenancy Engagement”. It was noted that the overall risk assessment to the Council following the initial audit was considered “of concern”.

Mr Mike Ash, the Council’s Head of Housing Services Commissioning - Housing and Community Safety, was in attendance to provide a current position statement in relation to the implementation of the internal audit recommendations and to respond 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.

Following his introduction of the update report, Mr Ash responded to members’ questions on the following issues:

- the value for money (VFM) of current approaches to tenant engagement and the timeframe for the establishment of the proposed new model for engagement and the assessment of VFM under that new model
- the officer’s assessment of the main reasons for the apparent failure of some aspects of the current participation model and where improvements need to be focussed
- the cost of the engagement strategy and the assurance that effective change will be implemented as a result of the adoption of a revised participation strategy
- the pilot scheme in Penhill and the timeframe for the introduction of a borough-wide tenant engagement model
- the status of the acquisition of new resident involvement software to provide improved customer profiling information
- the circulation of the Housing Matters magazine and the use of IT communication options to complement traditional communication methods.

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

(2) That a further report on the implementation and effectiveness of the new Tenancy Engagement model be made to this Committee in 12 months’ time.

## **7. Draft Annual Statement of Accounts 2013/14**

The Committee received a report providing an update on the current position in relation to the preparation of the Council’s Annual Statement of Accounts for 2013/14. The Board Director Resources introduced the report and, with the Finance Manager, Housing, Treasury and Growth, expanded on a number of matters relating to the preparation of the statement of accounts, including the impact of the reintegration of much of Swindon Commercial Services Ltd (SCS Ltd), continuing material transactions around academy transfers disposals, restatement of the PFI liability and the Wichelstowe infrastructure now showing as operational.

The Committee also noted that there was a proposal from central government that, within four years, the deadlines for the production of the draft and audited accounts would be earlier, that, from 2017/18, the draft accounts would be required to be completed by 31 May and the audited accounts by 31 July. More detail on this proposal would be provided to the Committee once statutory dates were finalised, and areas of the closing process identified that might need to be revised to meet the earlier deadlines.

Following their introduction of the report, the Board Director and Finance Manager responded to members' specific queries and observations regarding the detail of the Draft Statement of Accounts, including the format for the presentation of the accounts, and the final accounts' process.

Resolved – That the report be noted.

#### **8. Audit Committee: Annual Report 2013/14**

The Chair of the Committee introduced the Committee's Annual Report for 2013/14.

Resolved – (1) That the report be noted.

(2) That the officers and the external auditors be thanked for their hard work in support of the Committee and the Council's audit function.

#### **9. Audit Committee: Terms of Reference and Work Plan (Minute For Confirmation)**

The Committee received a report of the Head of Internal Audit on the Audit Committee's terms of reference, revised to accommodate changes necessitated by updated CIPFA guidance regarding local authority audit committees, set out in their publication *Audit Committees: Practical Guidance for Local Authorities and Police*, and details of the Committee's draft work programme for 2014/15.

Resolved – (1) That the revised terms of reference and work programme, appended to the report, be approved.

(2) That the Council be recommended that the Constitution be amended to accommodate specific changes resulting from the revisions to the Audit Committee's terms of reference.

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

The Committee received the Head of Internal Audit's Annual report for 2013/14. It was noted that it was a requirement of the CIPFA Code of Practice for Internal Audit and the new 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 adequacy and effectiveness 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.

Resolved – That the report and, in particular, the opinion that the internal control arrangements relating to the Council's main financial systems during 2013/14 were found to be satisfactory, resulting in an overall risk assessment to the Council as being 'moderate', be noted.

#### **11. Draft Annual Governance Statement**

The Head of Internal Audit submitted a report providing the Committee with details of the draft Annual Governance Statement 2013/14, setting out the Council's

governance arrangements and providing an assessment of the performance of those arrangements over the year.

Resolved – (1) That the draft Annual Governance Statement 2013/14, appended to the report, be approved.

(2) That it be noted that the final version of the Annual Governance Statement would be submitted to the next meeting of the Audit Committee, to be approved for signing off by the Leader of the Council and the Chief Executive in September 2014.

## **12. Letter to those charged with governance**

The Committee received a report of the External Auditor on the requirement, as part of their audit of the Council's financial statements and in order to comply with the International Auditing Standards (UK and Ireland), to make inquiries of both management and the Audit Committee as to their knowledge of any actual, suspected or alleged fraud. It was noted that International Auditing Standards also place certain obligations on auditors to document Management's view on some key areas affecting the financial statements.

Resolved - That the responses submitted by the Chair on behalf of the Audit Committee and by management, appended to the report, be noted and approved.

## **13. External Audit Reports**

Chris Hackett (Grant Thornton) presented a report advising the Committee of the External Auditors' progress, as at 26<sup>th</sup> June 2014, in respect of the delivery of their audit responsibilities. The report also included a summary of key emerging national issues and developments that might be of interest to the Committee.

The Committee also received support papers on the following discussion topics:

- Approving the minimum revenue provision policy
- De-cluttering your accounts
- A guide to local authority accounts

Resolved – (1) That the report and support papers be noted.

(2) That the Secretary of State, the Local Government Association and the Local Members of Parliament be advised of members', and officers', concerns regarding the accessibility of the information presented in the prescribed format for Local Authorities' Final Accounts and that representation be made for these to be made "more sensible and less technical" in order to make the accounts more transparent and open and more easily accessible to the reader.

(3) That the Chair's suggestion of the introduction of an informal, e-mail based, arrangement to facilitate members' feedback on the performance and effectiveness of the Audit Committee, be accepted.

## **14. 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 April 2014 and progress made against the Annual Internal Audit Plan.

Resolved – (1) That the report be noted.

(2) That the Hillmead internal audit report, categorised as having an overall risk evaluation of “Of Concern”, be submitted for consideration at the meeting of the Committee to be held in November 2014.

(3) That the Head of Internal Audit liaise with the Chair regarding the outcome of pending audits and that the Chair determine which, if any, of these should be reported to the September meeting for consideration.

#### **15. Review of the effectiveness of the system of internal audit**

The Committee received a report on the effectiveness of the system of internal audit. It was noted that, In order to comply with The Accounts and Audit (Amendment) (England) Regulations 2011 the Council was required, at least once a year, to conduct a review of the effectiveness of its system of internal audit.

Resolved – (1) That the various areas of assurance and supporting evidence, set out in the report, and the information contained in the Checklist provided in the CIPFA Code of Practice for Internal Audit in Local Government in the UK 2006, appended to the report, and the CIPFA Audit Committee Toolkit Self-Assessment Checklist, also appended to the report, be accepted as providing assurance of the effectiveness of the Council's system of Internal Audit.

(2) That, with reference to the “good practice questions”, set out in the CIPFA self-assessment checklist, relating to the effectiveness of the Committee, an assessment of achievement and performance be incorporated into the Committee's future annual reports.