

## **AUDIT COMMITTEE**

**TUESDAY, 16 JUNE 2015**

**PRESENT:-** Councillors Steve Weisinger (Chair), Steve Allsopp, Michael Bray, Oliver Donachie, Des Moffatt, Maureen Penny, Kevin Small and Timothy Swinyard.

Apologies for absence were received from Councillors Mark Edwards and Nick Martin and from Liz Cave (Grant Thornton).

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

Resolved – That Councillor Mark Edwards be Vice-Chair of the Audit Committee for the Municipal Year 2015/16.

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

The Chair reminded members of the need to declare known interests in any matters to be considered at the meeting. Councillor Oliver Donachie made a non-prejudicial declaration of interest with regard to the report on Isambard Community School, in that he has children attending that school.

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

There were no public questions.

### **4. Minutes**

Resolved - That the minutes of the meeting held on 21<sup>st</sup> April 2015 be confirmed and signed.

### **5. Internal Audit reports identifying 'significant' risk or 'of concern': Isambard School**

Further to Minute 6 (2014/15), the Committee received a follow-up review of the initial audit report on Isambard Community School, which report had identified a number of fundamental control weakness that jeopardised the school's financial stability and performance and had resulted in the overall risk assessment to the Council as being significant.

The Committee noted that the follow-up review, completed in May 2015, had concluded that the School had made significant improvements since the previous audit and that, of twelve high priority recommendations made in the previous report, six have been implemented and six are in progress and only two out of the total twenty recommendations remained outstanding.

Kevin Gray, the Chair of Governors for Isambard Community School, and Sue Banks, the School's Acting Head, were 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 the key findings of the audit and identified risk areas, the management response to the audit

conclusions and key recommendations, and progress in implementing the action plan to mitigate risks.

Resolved – (1) That the report, and the success of Isambard Community School in making significant improvements since the initial audit, be noted and welcomed.  
(2) That a further report, providing the Committee with an update on the school's progress in relation to the achievement of the remaining key objectives be submitted in 12 months' time.  
(3) That the Audit Committee recognises and commends the work done by Councillor Mark Edwards in assisting Isambard Community School in delivering against the audit review recommendations.

## **6. Treasury Management - Annual Report**

The Committee received a report of the Board Director, Resources, setting out the 2014/15 Capital Programme position as at the end of March 2015 and the Treasury Management performance for 2014/15.

Resolved – (1) That the 2014/15 Capital Programme position as at financial year end be noted.  
(2) That the changes to the Capital Programme, detailed in paragraphs 3.4 to 3.7 of the report, be approved.  
(3) That the 2014/15 Treasury Management performance, as detailed at paragraphs 3.10 to 3.21 of the report, and Prudential Indicators shown at Appendix 2 to the report, be noted.

## **7. Draft Annual Statement of Accounts 2014/15**

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 2014/15. 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, particularly the reclassification of investment assets under the Code as operational assets, the conclusion that the local position on schools' assets should be that such assets remain off balance sheet, and the retention of long-term leisure assets on the Council's balance sheet.

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. Internal Audit reports identifying 'significant' risk or 'of concern': Corporate Buildings: Statutory Compliance**

The Committee received a follow-up review of the initial audit report on "Corporate Buildings: Statutory Compliance", which review, completed in March 2015, had concluded that the impact and materiality of statutory compliance for corporate buildings is considered to be high and, combined with the auditor's opinion that system controls have fundamental weaknesses, gives an overall risk to the Council

of 'significant'. It was noted that the review had been requested by the Head of Property Maintenance, who had become responsible for these services following the reintegration of Swindon Commercial Services.

The Committee noted that the follow-up review had established that the audit recommendations had been taken forward positively by the Head of Property Maintenance and his team and that considerable progress had been achieved in implementing all key recommendations. The Committee also noted that completion of over 200 annual asbestos surveys had been progressed and that the remaining 35 properties were scheduled for inspection by August 2015.

The Council's Head of Property Maintenance 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.

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

(2) That members' concerns regarding the control environment around major organisational changes and the assurance arrangements in place to effectively manage the impact of such organisational changes, be noted.

## **9. Audit Committee: Annual Report 2014/15**

The Chair of the Committee introduced the Committee's Annual Report for 2014/15.

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.

## **10. 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 2015/16.

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

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

The Committee received the Head of Internal Audit's Annual report for 2014/15. 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 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 Head of Internal Audit's overall opinion that the Council's internal control arrangements relating to its main financial systems during 2014/15 were found to be satisfactory, resulting in an overall risk assessment to the Council as being 'moderate', be noted.

## **12. DRAFT Annual Governance Statement**

The Head of Internal Audit submitted a report providing the Committee with details of the draft Annual Governance Statement 2014/15, 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 2014/15, 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 2015.

## **13. External Audit Reports**

### **(i) Audit Plan 2014-15**

Further to Minute 48 (2014/15), Chris Hackett (Grant Thornton) presented an updated version of the Audit Plan for 2014/15, accepted by the Audit Committee at its meeting on 21<sup>st</sup> April 2015. It was noted that the Audit Plan had been amended to delete the initial assessment of Welfare Expenditure (Housing Benefits) as a transaction stream where there was a reasonably possible risk of material misstatement.

Resolved – That the revised External Auditors' Audit Plan 2014/15 be accepted.

### **(ii) Audit Committee Update**

Chris Hackett (Grant Thornton) presented a report advising the Committee of the External Auditors' progress, as at 16 June 2015, 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.

Resolved – That the report and supporting papers be noted.

(Councillor Oliver Donachie made a non-prejudicial declaration of interest in respect of any discussion by the Committee of matters relating to Public Power Solutions, in his capacity as a non-executive director of that organisation.)

## **14. Internal Audit: Strategic Fraud Update**

The Committee received a report of the Head of Internal Audit on the effectiveness of Internal Audit's counter fraud and error arrangements within the Council.

Resolved – That the report be noted.

**15.**

**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 2015, progress made against the Annual Internal Audit Plan 2014/15 and Internal Audit staffing and resource issues.

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