

AUDIT COMMITTEE

9 NOVEMBER 2015

PRESENT: Councillor T Mills (Chairman); Councillors P Agoro, M Collins, A Hetherington, P Irwin, R Stuchbury, D Town and H Mordue (ex-Officio).

Also present: David Guest from Ernst and Young LLP.

APOLOGIES: Councillors B Chapple OBE, K Hewson and M Smith.

1. ANNOUNCEMENTS

Business Assurance team update

The Committee welcomed Kate Mulhearn to her first meeting of the Audit Committee. Miss Mulhearn, who was an experienced auditor with PricewaterhouseCoopers, would be working for the Council two days a week leading the Business Assurance team whilst the Business Assurance Services Manager was seconded to work related to forming a trading company that would provide opportunities for the Council to generate new income streams.

Councillor Mills

The Chairman reported that this would be his last meeting as a Member and Chairman of the Audit Committee. He had decided to step down after 9 years on the Committee and thanked Members of the Committee and Officers for their support, particularly whilst he had been chairman.

2. MINUTES

RESOLVED –

That the minutes of the meeting held on 28 September 2015 be agreed as a correct record.

3. EXTERNAL AUDIT - ANNUAL LETTER

The Committee received, for information, the external auditors' Annual Audit Letter which provided an overall summary of the external auditors' assessment of the Council. The letter had also been circulated to all Councillors with the Members' Information Sheet on Friday 30 October.

The letter drew on the findings of audit work carried out on the Council's financial statements for 2014/15. These key findings on the Financial Statements audit, the Value for Money conclusion, Whole of Government Accounts, Annual Governance Statement, and control themes and observations had already been reported to the Audit Committee, so were very briefly summarised in the AAL.

The external auditors were anticipating issuing the Annual Certification Report of grant claims and returns for 2014/15 in January 2016.

Members requested additional information and were informed:-

- (i) that the outstanding testing on housing benefits claims would be completed by the end of November.

- (ii) that audit work would look at the overall impact that Government policies such as universal credit / child tax credits and increases in housing rents in the social sector had on the Council's accounts, however, this work would not look at individual cases or circumstances.

RESOLVED –

That the contents of the External Auditor's Annual Audit Letter for 2014/15 be noted.

4. BUSINESS ASSURANCE SERVICES - PROGRESS REPORT

The Committee received a progress report on assurance work activity undertaken against the 2015/16 Assurance Plan since September 2015 and the following matters were highlighted:-

- (i) **Assurance Reviews completed since the last progress report** – the review of taxi driver licensing had been completed and had been given a substantial assurance.

(ii) **Assurance Reviews Follow-up**

Technology One (Finance System – Update) – some areas of the system had been implemented but had not yet been subject to detailed testing by Business Assurance. Appendix 2 to the Committee report provided an update on a number of outstanding areas that the Finance team had been unable to demonstrate through evidence that the new system was addressing the weaknesses identified in the old system. They included:-

- aged debtor reports that showed where debts had instalment plans in place.
- how management information was monitored, i.e. speed to pay suppliers.
- journal processing workflows – there was a lack of clear authorisation processes and finance role in this.
- virements (moving / creating budgets) – controls and authorisations over financial regulations such as virements and that clearly evidenced an audit trail for authorisations.

The majority of these issues remained unresolved as the Finance Manager had needed to prioritise issues, the most pressing of which had been to be able to issue outstanding debt reminders.

Information was also provided on a number of areas that had been implemented but not subject to any detailed testing by Business Assurance. This testing was planned for November 2015.

A comprehensive review of the key controls operating over creditors and debtors was about to start and would be reported to Members in January 2016. The fourth quarter would focus on other aspects of the system such as cash receipting, budgeting and bank reconciliations.

Transparency Code – 'Land and Property' was the only remaining non-compliant area. Progress had been made and 3,000 of the 9,000 records had been updated, starting with those that had been sold. It was anticipated that the first tranche of data would be loaded onto the Council's website by the end of November 2015, with the majority of land then added by the end of December.

(iii) **Assurance Plan Work in Progress**

The contract for software to assist the Council to track policy compliance (2014/15 Plan) had been agreed and the project implementation had started. It was expected to go live in November 2015.

The 2015/16 Data Protection (Off Site and Mobile Devices) and 2015/16 Supplier Resilience reviews had not started due to the reviews of the Finance software being brought forward but were now expected to be completed by the end of December.

A draft report on the 2015/16 Housing Allocations had been issued but not yet released.

- (iv) Overdue Audit Recommendations and Tracker** – Members were informed that there was a greater urgency to find a solution to the network drives outstanding action regarding the sharing of data across service areas, as this would be necessary to support the future organisational changes around services and teams. A further update would be provided in January 2016.

Members sought further information and were informed:-

- that the outcome and findings of the 2015/16 Housing Allocations would be reported to the Committee in January 2016.
- that the impact of housing 'right to buy' on the Council and the financial repercussions of any delays in the East/West rail project would be explained at the forthcoming Members' budget seminar and in the capital programme update that was due to come to scrutiny, Cabinet and Council in the next month.
- that further assurance would be sought from Land and Property that all remaining records would be loaded onto the Council's website by the end of December 2015.
- that the Finance Manager was satisfied that the core controls of the new finance system were working as expected. The next priority would be to look at the procurement and contracts processes. Work had also been done to ensure that suppliers were being paid on time and that outstanding debt reminders were being issued. Further work also needed to be done regarding budget virements controls and processes.
- that the performance of the new legal contract would be monitored and reviewed after it had a chance to bed in.
- that risk management and identification of risks was looked at in different levels of the Council including strategically, at project level, and when new contracts were awarded or key decisions were made. Individual services would also be expected to consider risk management as part of their day-to-day work.
- that the Assurance Strategy and Work Plan for the next period would be submitted to the Committee in March 2016, and could take into account some of the views Members had expressed at the meeting.

Members also commented and expressed concerns that they were not being provided with more frequent (quarterly) information on risk management, including changes in risks and mitigation work that had been undertaken. The Committee requested that some form of exception reporting of risks be included with the regular Business

Assurance Service reports, in addition to the periodic risk management progress reporting.

RESOLVED –

- (1) That the progress report be noted.
- (2) That further discussions would take place with the Chairman relating to reporting frequency of risk management and the level of information shared on completed audits.

5. WORK PROGRAMME

The Committee considered the future Work Programme for 2015-16 which took account of comments and requests made at Audit Committee meetings and the requirements of the internal and external audit processes.

RESOLVED –

That the future Work Programme as discussed at the meeting be approved.

6. DATE OF FUTURE MEETINGS

The next meeting of the Audit Committee would be held at 6.30pm on 25 January 2016, in the Olympic Room at The Gateway, Gatehouse Road, Aylesbury.