

CHILTERN DISTRICT COUNCIL

MINUTES of the Meeting of the AUDIT COMMITTEE held on 1 JULY 2014

PRESENT: Councillor J L Gladwin - Chairman

Councillors: A K Bacon
A J Garth
D W Phillips
J S Ryman
J F Warder

APOLOGIES FOR ABSENCE were received from Councillor A D Garnett and Maria Grindley (Ernst & Young LLP).

ALSO IN ATTENDANCE: Susan Gill (Ernst & Young LLP) and Chris Harris (TIAA) were also in attendance.

1 CHAIRMAN

RESOLVED -

That the appointment of Councillor J Gladwin as Chairman of the Committee for the remainder of the Municipal year, as noted at Annual Council on 13 May 2014, be agreed.

2 APPOINTMENT OF VICE-CHAIRMAN

Due to the infrequency of meetings, the committee decided not to appoint a Vice-Chairman.

3 MINUTES OF PREVIOUS MEETING

The Minutes of the meeting held on 10 April 2014 were agreed by the Committee and signed by the Chairman as a correct record.

Minute 34 – Internal Audit Progress Report

Following a question it was advised that the payroll reconciliation had not yet been carried out, but would be completed by the end of the month. This was a double check to ensure that staff names and pay grade data held by Personnel matched the information held by Accounts. It was suggested that the process could be automated to improve efficiency.

It was noted that the new process for journal transfers has implemented successfully. An update on the investigation into one case of alleged corporate fraud reported at the last meeting was noted. Following consideration of the investigation report, Management Team had agreed that

no formal action would be taken against any members of staff. Staff contracts of employment have been amended laying out strict criteria for undertaking any private work by employees.

4 DECLARATIONS OF INTEREST

There were no declarations of interest.

5 INTERNAL AUDIT ICT GOVERNANCE AND CONTROLS REPORT

The Committee considered a report detailing the findings from the internal audit of arrangements at Chiltern and South Bucks Councils relating to ICT Governance and Control. This work was carried out in March 2014 as part of the planning internal audit work for 2014/15.

Members considered each of the risk areas identified in the report, and during which the following key points were made:

Regarding Risk Area 1 it was noted that the Council was aiming to develop a pool of core ICT staff, utilising temporary staff where required. The continual development of staff skills would mitigate the risk of staff seeing changes as a threat.

A formal ICT Strategy document was being developed for the convergence of systems and process across both Councils. It was anticipated that this would be available by the end of the year and would mitigate Risk Area 3.

In response to a question regarding Risk Area 5, it was advised that most large projects were part of the shared services programme and were therefore managed by the Chiltern & South Bucks Joint Committee.

The Council has a programme in place to help control risks associated with ICT file storage and management (Risk Area 9) and to promote good information management practices by officers of the Council.

Following a question regarding legacy systems it was advised that both Councils had data retention policies in place and that staff were generally very good at only retaining data that was required. There were currently no concerns regarding the ability to retrieve data from legacy systems.

RESOLVED –

That the Internal Audit ICT Governance and Controls Report be noted.

6 INTERNAL AUDIT PROGRESS REPORT

Members considered the Internal Audit Progress Report which provided the Committee with an update on the internal audit work at the Council at June 2014. This included audits finalised since the last meeting. Housing section 106 and waste collection audits were due to be finalised shortly.

In response to a question it was noted that the external auditor's assurance standards were higher than the standard requirements and this had in turn meant that some adjustments had been made to the internal audit plan for 2013/14. Provided that the standard of assurance was achieved there may be opportunity to implement efficiencies by working across both Councils and reduce the number of audit days required in the future.

Members then discussed the audits finalised since the last Audit Committee. It was noted that the council was working towards reviewing operational risks more regularly and that this process would be monitored to ensure that evidence of this was available. A Risk Management Strategy had already been developed and the guidance would be updated by October 2014.

Human error had been identified as the cause of one individual case of housing benefit miscalculation raised in one audit sample. The case had now been corrected and all staff had received further guidance to avoid a recurrence. The process for claiming back housing benefit over payments was also noted and Members welcomed the positive work carried out by officers.

There was a discussion regarding monitoring sundry debtors. This data had proved the most challenging part of the transition to the new Integra finance system. The majority of the outstanding sundry debt related to recharges to other authorities. Aged debtor analysis was currently done quarterly, and this would be carried out more regularly in the future.

RESOLVED –

That the progress against the Internal Audit Plan and findings arising from Internal Audit work be noted.

7 INTERNAL AUDIT ANNUAL ASSURANCE REPORT

The Committee were asked to note the annual assurance report which detailed the work carried out by the audit contractor, TIAA Ltd, during the year. The Head of Audit's annual opinion was that sufficient internal audit work had been undertaken. An update report on the follow up audit work would be considered at the next meeting. In light of the changes that had taken place at the Council during the last year Members were pleased with the report in particular Council Tax and National Non Domestic Rates.

RESOLVED –

That the Internal Audit Annual Assurance Report and the assurance given by the Internal Audit Contractor, TIAA Ltd, be noted.

8 EXTERNAL AUDIT FEE LETTER 14/15

Susan Gill provided an overview of the context and changes that would continue to take place in external audit. Members then considered the letter from the external auditor setting out the audit and certification work due to be

carried out for the 2014/15 financial year along with the indicative audit fees. The Audit Commission would eventually be abolished completely, but during the transition to the new arrangements, some parts of the organisation currently remained in place. To reflect that much of the central functions of the Audit Commission had been removed the scale fees had largely been reduced by around 40% in comparison to previous years, and set fees were likely to remain until 2020. A more detailed breakdown of the fees would follow later in the year.

In response to a question it was advised that it was unlikely that the Council's audit fees would increase significantly in the future, unless there was a need to carry out additional audit work. It was noted that market testing may not necessarily provide lower audit fees.

RESOLVED –

That the External Audit Fee Letter, detailing the indicative summary of fees for 2014/15, planned fee for 2013/14, and actual fee for 2012/13, be noted.

9 CORPORATE FRAUD REPORT

Members received the Corporate Fraud Report which provided a summary of investigations into benefit and general fraud, and the outcome of cases of proven fraud.

A general update on the Benefit Fraud Team activity was also noted. The Department for Work and Pensions would introduce their Single Fraud Investigation Service for Chiltern in March 2015, and investigations and sanctions relating to Housing Benefit and retrospective Council Tax Benefit would be the sole responsibility of this service.

The report also provided details of internal investigations involving staff, and set out the Corporate Fraud Audit Plan for 2014/15 which the Committee were asked to agree. There was a discussion on one of the alleged cases of corporate fraud and it was noted that staff contracts of employment had since been amended laying out strict criteria for undertaking any private work by employees.

It was noted that the volume of Housing Benefit awards were increasing due to the rising cost of rent. The proposal for a Countywide Fraud Group would be discussed at the next meeting of S151 officers to assess interest, and an update would be provided to Members at the next meeting.

Members were pleased to note the level of successful prosecutions relating to fraud.

RESOLVED –

- 1. That the outcomes of the anti-fraud activity in 2013/14 be noted.**
- 2. That the action plan for 2014/15 be agreed.**

10 UNDERSTANDING HOW THE AUDIT COMMITTEE GAINS ASSURANCE FROM MANAGEMENT

Auditing standards required the Council's external auditors to formally update their understanding of the Council's management processes at least annually. A response to a letter from the external auditor asking various questions about the Council's management processes had been drafted, and the Committee was asked to review the letter for any suggested changes.

RESOLVED –

That the proposed response to the External Auditor letter, requesting information on how the Audit Committee gained assurance from Management, be agreed.

11 ANNUAL GOVERNANCE STATEMENT 2013/14

The Committee were asked to consider and comment on the Annual Governance Statement (AGS) which would be published alongside the financial statement once formally approved. The AGS was a public statement on governance arrangements in place at the Council. Whilst considering the review of internal audit Members confirmed that they were satisfied with the assurance provided by the internal audit during 2013/14.

In response to a question it was noted that the AGS followed a standard structure, though sometimes additional information was included where required.

It was advised that the internal audit fee reflected the quantity of internal audit work required. Spot checks were also carried out to test data quality, but generally this was very good at the Council.

RESOLVED -

That it be recommended that the Annual Governance Statement for 2013/14 be formally approved by the Leader and the Chief Executive.

12 DRAFT 2013/14 STATEMENT OF ACCOUNTS

The Council is required to produce a formal Statement of Accounts each year in accordance with the Accounts and Audit Regulations. The Accounts are an important public document and it is good practice for these to be subject to detailed review. The Accounts were usually considered by the Committee in September for approval, but following a request a draft version had been brought before Members for early consideration. As such, the Committee were asked to review the Accounts for any comments. The report provided a commentary on each of the main sections contained within the document.

It was noted that a small number of accounting corrections had already been made to the Accounts following comments received from Committee Members since the report was published. A sheet showing the changes was circulated at the meeting.

The level of short term creditors had increased due to the collection of a larger amount of Council Tax. The Council therefore had a larger amount to pass on to Bucks County Council, as the authority receiving the largest proportion of Council Tax.

As part of the Joint Waste Contract with Serco, the Council had acquired refuse bins up-front. As a result of the way this needed to be accounted for there had been an increase in the level of Council assets for property, plant and equipment. There had been no increase in the value of London Road Depot following the works that had been carried out. This was due to much of the work being required for environmental and health and safety reasons.

The Explanatory Foreword contained a summary of significant factors affecting the accounts. The Revenue Support Grant (RSG) that the Council received from Central Government had increased, but due to changes that had taken place, the amount available to the Council had actually reduced. The introduction of a local Council Tax Support Scheme and localisation of Non Domestic Rate (NDR) Income were examples of two key changes. The changes to NDR had resulted in the Council being effectively £98,000 worse off overall under the new arrangements. It was suggested that an additional explanation should be included in the Accounts to explain some of the changes around the RSG.

The main area of concern related to the Pension Fund and the decline in the value of assets attributable to Chiltern, particularly in light of the £1M contribution that had been made by the Council to the Pension Fund. Members were keen to compare the performance of the Bucks Pension Fund with the performance data of other similar sized Funds nationally in order to assess comparative performance. It was suggested that 12 pension funds would be a useful sample. A comparison between the Chiltern proportion of the Fund and the Bucks Pension Fund overall was also requested.

Overall the Committee were happy with the Statement of Accounts, subject to understanding more about the Bucks Pension Fund and the liability in particular. As such, the Committee requested a meeting with a representative from the pension fund actuary in order to help answer any questions that Members had. Further details of the meeting would be circulated to all Audit Committee Members once a meeting date had been finalised.

Members were welcome to send any further comments on the Accounts to the Head of Financial Services.

RESOLVED –

That the draft 2013/14 Statement of Accounts be noted by the Audit Committee.

13 AUDIT COMMITTEE WORK PROGRAMME

Members reviewed the Committee's proposed work programme to consider whether there were any additional items to be included.

RESOLVED –

That the Work Programme be noted

14 VOTE OF THANKS

The Committee noted that Gary Martin, Principal Accountant, had recently left the Council. Members joined with Susan Gill in expressing thanks for his contribution whilst working for the Council.

The meeting ended at 8.21 pm