

CHILTERN DISTRICT COUNCIL

MINUTES of the Meeting of the AUDIT COMMITTEE held on 10 APRIL 2014

PRESENT: Councillor J L Gladwin - Chairman

Councillors: A K Bacon
A D Garnett (ex-officio)
D W Phillips
C J Wertheim
F S Wilson

APOLOGIES FOR ABSENCE were received from Councillor J S Ryman

The Chairman welcomed to the meeting Sue Gill and Claire Hodges from Ernst & Young and Chris Harris from TIAA.

30 MINUTES OF PREVIOUS MEETING

The Minutes of the meeting held on 19 February 2014, copies of which had been previously circulated, were agreed by the Committee and signed by the Chairman as a correct record.

31 DECLARATIONS OF INTEREST

Councillor C J Wertheim was a Member of the Joint Waste Committee.

32 EXTERNAL AUDIT PLAN 2013/14

Sue Gill presented the report by Ernst & Young to the Committee. Chiltern District Council was described as small, efficient and its risks and issues were well known but there were three items to bring to the Members attention.

Firstly, the change in Team Leader, Claire Hodges had been appointed to give an integrated approach with SBDC. There would therefore be a consistent approach across both District Councils.

Secondly, in the Risks section, an awareness of the potential for management override to systems. This is part of a standard audit approach and not due to any particular concerns at Chiltern.

Another significant Risk was the change in how business rates are dealt with. It could have a material effect and so adequate provision needed to be made to cover appeals. It was noted that the government and accounting bodies had not given guidance yet as to what would be considered "adequate" and the auditors would be looking for a "reasonable" provision to be made and that the basis for this is well evidence.

It was noted that the right of appeal on rateable values could go back several years and there was some concern that the sum could not be quantifiable. It was advised however that the liability to the District Council would be capped

to 7.5% of net funding. This was a potential loss of up to £100,000 per annum. This was a separate matter from what the council would be required to reflect in its accounts. With regard to retrospective claims, it was advised that the Valuation Office had a large backlog of claims which made the position even more uncertain. The government was hoping the backlog would be cleared by the end of 2015, but the Council could not rely on this. Ernst & Young advised that they were looking for a reasonable accounting entry and would share guidance if and once it became available.

Thirdly, the Auditors fees were noted as being the same as last year and the certification of claims and returns part of the fee had gone down. It was noted that the level of the fees was dependent on the Officers completing their work to the agreed timetable.

It was asked if where services had been received but not invoiced, were Ernst & Young expecting to see an accrual and it was confirmed that this was required. There was a discussion on materiality. The Chairman confirmed that he accepted the need for a level of triviality. However, he requested that a summary of the trivial items found should be available to the Committee to confirm that there was an overall non material error.

RESOLVED

That the report be noted

33 EXTERNAL AUDIT FRAUD BRIEFING

A presentation was shown to the Committee, produced by the Audit Commission entitled "Protecting the Public Purse 2013". The report covered the county area using data returns from neighbouring local authorities. It was noted in the report that whilst the number of detected frauds had gone down, the value of those frauds had gone up. CDC was currently looking at single person discount council tax fraud. They were sometimes small in scale but 330 cases were being investigated. The Committee discussed the cost of undertaking fraud investigation versus the returns made but it was agreed that such cases deterred crime and therefore must be carried out.

With regard to Social Housing Fraud, it was noted that CDC currently had a good working relationship with Paradigm Housing but it was recommended that a more formal procedure be set up for fraud investigation. It was suggested that the council uses its representation on the Paradigm Board to encourage this approach. .

It was noted that Chiltern has a Whistleblowing Policy and that there was in-house fraud awareness training for staff.

RESOLVED

That the report be noted

7.25 pm Sue Gill and Claire Hodges left the meeting

34 INTERNAL AUDIT PROGRESS REPORT

An Internal Audit Progress Report was presented by Chris Harris of TIAA. It was reported that the Integra report had just been completed and the Council Tax and NDR Compliance report would be completed before Easter. After Easter the 2014/5 plan would commence. The financial audits were planned for September to June to avoid the financial year end. It was considered more important to produce reports to a high standard than to complete them early. The next meeting would have the end of year audit report.

Councillors were concerned that some Heads of Service were requesting that the audits be moved and asked what the protocol was in this case. This had been discussed previously with regard to ICT but it was advised that the changes taking place with shared services and new software introduction had not made it appropriate to impose an audit. In most cases it was preferable to wait until 6 months after a service review was complete. A full review of the ICT process would come back later into the programme.

It was noted that the report gave an evaluation of “reasonable” risk against Payroll but with 70% of CDC costs being salaries, a “substantial” assurance against risk was considered preferable. It was advised that it was not uncommon to have a “reasonable” level of assurance. The numbers on the payroll were small at Chiltern, compared to the much larger payrolls of Wycombe and Aylesbury, also managed by Aylesbury Vale District Council. Councillors were concerned that HR was too busy to do the reconciliation of payroll against establishment last year. It was noted that the pressure of harmonisation and service reviews were taking place within the department but it was considered that more resource should be made available if necessary to do the reconciliation work. It was requested that Members views be passed to the Chief Executive and the Principal Personnel Officer. Officers advised that although the reconciliation had not been done, the payroll was checked against the expected budget each month and so any risk was small.

With regard to journal transfers, it was noted that some large transfers had been made with only one signature. A new process was being introduced however with a new journal form which would standardise custom and practise across the two authorities. Ernst & Young require a complete download of journal transfers against the ledger and would review large value journals, so it was considered a low risk.

A Councillor enquired about the nature of the on-going investigation into a potential conflict of interest. He was informed that it related to Building

Services and Officers working privately. An update was requested for the next meeting.

RESOLVED

That the report be noted

35 WORK PROGRAMME

At the next meeting, there would be 3 reports from Internal Audit; ICT report, Final Progress 2013/14 and Annual Assurance.

There was a brief discussion with regard to testing of routine processes. The Chairman confirmed that an interim report should be brought to the next Committee meeting.

RESOLVED

That the work programme of the Audit Committee be noted.

The meeting ended at 7.55 pm