

AUDIT COMMITTEE

Meeting - 3 July 2014

Present: Mr Hollis (Chairman)
Mr Anthony and Mr Bradford

Also Present: Chris Harris – TIAA (Internal Auditor)
Sue Gill - Ernst and Young (External Auditor)
Claire Hodges - Ernst and Young (External Auditor)

Apologies for absence: Dr A Dhillon, Mr Hardy and Mrs Wallis

1. MINUTES

The minutes of the meeting of the Committee held on 27 March 2014 were confirmed and signed by the chairman.

2. COMPLAINTS MONITORING REPORT 2013/14

The Committee received a report which advised the Committee of formal complaints received by the monitoring officer in 2013/14 that members have breached the code of conduct.

The Committee agreed at their meeting in March 2013 that due to the historically low numbers of complaints made against members of council and town/parish councillors in the district, it was sufficient to receive complaints monitoring reports on an annual basis unless there was a sudden increase in the number of complaints.

Continuing the trend in the past year of a very low number of formal complaints about councillors in South Bucks District, the monitoring officer in 2013/14 received no formal complaints about members of South Bucks District Council and only 1 complaint about a member of a parish council which did not proceed following initial contact with the complainant.

The table in paragraph 3.3 of the report showed the figures for the financial year 2013/14 compared with the figures for 2012/13. The Monitoring Officer considered that the overall time taken to deal with the complaint received in 2012/13, which related to Councillor Naylor of Burnham Parish, was too long. The timescales for dealing with this 3 stage complaint were set out in paragraph 3.3 of the report. The Committee were advised that the cost of the investigation totalled £2,116.

The Committee welcomed the low number of complaints, but agreed with the Monitoring Officer's suggestion to set a target of 6 months to deal with complaints which proceed through all 3 stages of the complaints procedure.

RESOLVED that the report be noted and that a target of 6 months be set for dealing with cases which proceed though all 3 stages of the complaints procedure.

3. REVIEW OF CODE OF CONDUCT AND COMPLAINTS PROCEDURE

The Committee received a report which asked the Committee to consider whether the code of conduct and complaints procedures adopted by the Council under the new standards framework in 2012 remains fit for purpose.

Following the introduction of a new standards framework by the Localism Act 2011, the Council adopted a new code of conduct of 24 July 2012 which was attached as Appendix 1. The Committee were advised that, as noted in the Complaints Monitoring report, there had been no formal complaints about the conduct of district councillors since the new code was adopted. Furthermore, it was considered that declarations of interests had been made appropriately by members under the Code.

Guidance on personal interests was issued by the DCLG in September 2012 and revised in September 2013 to give basic practical information to members about how to be open and transparent in relation to their interests (attached as appendix 2). Whilst this guidance did not require any changes to the Council's code, the Committee agreed with the suggestion that it would be useful to produce guidance, on what constitutes a 'close association' for the purposes of declaring a personal interest under the code and advice for dual hatted members in declaring personal and prejudicial interests, in time for member training after the 2015 district election.

The Council's 3 stage complaints procedure was attached as appendix 3 to the report. The monitoring officer had not received any formal complaints under the procedure about district councillors. There was 1 complaint received about a parish councillor which proceeded to Stage 3 and the investigator found that there had been a failure to declare an interest under the parish code of conduct.

Having reviewed the code of conduct and the complaints procedure, the Committee were of the opinion that both remain fit for purpose. In order for Parish Councils to be made aware of the fact that South Bucks District Council has reviewed its code of conduct and complaints procedure, it was agreed that it would be useful to add it as an item on the agenda of the next Parish Clerks meeting.

RESOLVED that

- 1) the code of conduct and complaints procedure remains fit for purpose and no changes are required; and
- 2) additional guidance on what constitutes a 'close association' for the purposes of declaring a personal interest under the code and advice for dual hatted members in declaring personal and prejudicial interests to be produced in time for member training after the 2015 district election.

4. INTERNAL AUDIT ICT GOVERNANCE AND CONTROLS REPORT

The Committee considered a report from TIAA which set out the findings of the audit review of ICT Governance and Control arrangements for Chiltern and South Bucks District Councils which was carried out in March 2014.

The report and appendices identified the key governance and control issues which currently impact upon the delivery of ICT to both Chiltern and South Bucks District Councils and set

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out the work which internal audit should undertake during 2014/15 and beyond to address the issues.

During the discussion on the risk areas which had been identified, the Committee agreed that the ICT Strategy should be independently reviewed.

The Committee requested that a column be added to the action plan that showed which risk each of the items would be addressing.

RESOLVED that

1. the findings of the audit review of ICT Governance and Control arrangements for Chiltern and South Bucks District Councils be noted; and
2. the audit plan 2014/15 to 2018/19 be approved.

5. **INTERNAL AUDIT PROGRESS REPORT**

The Committee considered an Internal Audit progress report from TIAA including details of the audits carried out since 1 April 2013 set out in a table in paragraph 4 of the appendix, which also set out changes to the annual plan 2013/14, as well as progress against the annual plan for 2013/14.

In relation to recommendation 4 on page 71 of Appendix B, a request was made for the numbers and amounts of Housing Benefit overpayment write offs to be circulated, via email, to the Committee following the meeting.

With regards to the Homelessness Allocations review, the Committee were assured that the Rent Deposit Scheme had been stopped and would not start up again until all issues with the scheme had been resolved. The Committee noted the steps which were being taken to address the issues raised in the review.

Following a query regarding the Risk Management review, the Committee were advised that in order to ensure that day to day operational risks were regularly considered, a standard item on operational risk had been added to the monthly Heads of Service / Management Team Meeting agenda. This has given Heads of Service the opportunity to consider on a monthly basis the main operational risks which have been facing their service.

The Committee received a verbal update on the findings of the car parking audit in relation to extracting data from the system. The Committee were advised that whilst the monitoring system was fit for purpose to maximise income, the system was unable to drill down any further to extract information about people's parking habits. The Council could look at parking tickets issued, however to be accurate a different system would need to be used such as number plate recognition.

RESOLVED that the progress against the Internal Audit Plan and findings arising from the Internal Audit Work be noted.

6. **INTERNAL AUDIT ANNUAL ASSURANCE REPORT 2013/14**

The Committee received the annual assurance report from TIAA providing details of the work they had carried out during the year as summarised in the table in paragraph 5 of the appendix. The Audit Committee had agreed to 143 days of internal audit coverage in the year.

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TIAA carried out 22 separate audit reviews which were designed to ascertain the extent to which the internal controls in the system were adequate. These were listed in the table in paragraph 9 of the appendix. The Committee noted that a follow up audit of all recommendations made during the 2013/14 was being completed and the outcome of this audit would be reported to the next Audit Committee.

The Committee were advised that the web services audit report had now been finalised and the assurance level had been increased to reasonable assurance.

The two areas which had been found to provide limited assurance were Homelessness Allocations and Environmental Services, which was still in draft. Recommendations have been made to further strengthen the control environment in these areas and management responses have indicated that these recommendations have been accepted.

RESOLVED that the report be noted.

7. **EXTERNAL AUDIT FEE LETTER 2014/15**

The Committee considered a letter dated 17 April 2014 from Ernst and Young LLP setting out the audit and certification work they planned to carry out in 2014/15 together with the following fees:

- Audit Fee £55,632
- Certification Fee £27,860

After noting the audit plan and the key members of the audit team the Committee

RESOLVED that the audit and certification fees for 2014/15 be noted.

8. **EXTERNAL AUDIT FRAUD BRIEFING**

The Committee received a presentation by Ernst & Young LLP entitled 'Protecting the Public Purse Fraud Briefing' which was produced by the Audit Commission.

The purpose for the fraud briefing was as follows:

- To provide Councillors with the opportunity to consider fraud detection performance compared to other local authorities
- To review current counter fraud strategy and priorities
- To discuss local and national fraud risks
- To reflect local priorities in a proportionate response to those risk

The briefing begun by setting out the national picture in 2012/13, including the fact that nationally the number of detected frauds has fallen by 14% since 2011/12 and the value by less than 1%.

After an explanation on interpreting fraud detection results, the briefing then set out the local context for South Bucks in 2012/13 comparing the fraud detection results for South Bucks with the district council average for the area:

Total detected cases and value

South Bucks District Council: 59 cases detected, valued at £163,583 (figure provided by Head of Customer Services)

District Council average for the county area: 170 cases detected, valued at £240,087

Detected cases as a percentage of Housing Benefit /Council Tax Benefit caseload

As a percentage of caseload – fraud was detected in 1.8% of the South Bucks caseload. This percentage was higher than the other authorities being compared.

Council tax (CTAX) discount fraud

The Committee were advised that the reason the briefing presented the number of council tax discount fraud cases being detected as being none was because whilst the Council does regularly recover the income, it doesn't report this as fraud. For example, in 2013/14, the Council removed 235 single person discounts at a value of £94,000.

The briefing then compared the detection rate of disabled parking (Blue Badge) fraud by council type. County councils have the lowest detection rate compared to the other types of council administering these schemes. Whilst county councils have administrative responsibility for issuing blue badges, district councils face reduced car parking income as a result of the fraudulent abuse of blue badges.

The briefing concluded by highlighting the issue of social housing fraud. The Prevention of Social Housing Fraud Act 2013 criminalises tenancy fraud and gives councils investigatory powers and the ability to prosecute tenancy fraudsters on behalf of housing associations. The importance of working in partnership with local housing associations on this issue was stressed.

The Committee noted that disabled parking fraud and social housing fraud could be two of the areas which the single county wide fraud team could work on if the team was to be established.

RESOLVED that the briefing be noted.

9. **UNDERSTANDING HOW THE AUDIT COMMITTEE GAINS ASSURANCE FROM MANAGEMENT**

The Committee considered a report attaching a draft reply to a letter from the Council's External Auditor (Ernst and Young LLP), dated 17 April 2014, seeking an understanding of how it gains assurance from Management.

In the discussion which followed, the Committee agreed that the draft reply addressed the questions raised and accordingly

RESOLVED that the proposed response to the External Auditor letter requesting information on how the Committee gains assurance from Management be agreed.

10. **ANNUAL GOVERNANCE STATEMENT 2013/14**

The Committee considered a report of the Management Team the purpose of which was to:

- provide Members with sufficient evidence so that they could conduct the statutory review of the effectiveness of Internal Audit;
- provide Members with sufficient evidence so that they could conduct the statutory review of the effectiveness of the Authority's Governance Framework / system of internal control, and
- allow Members to comment on the draft statutory Annual Governance Statement for 2013/14.

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The report, after summarising the SBDC Corporate Governance Assurance Framework, went on to explain that for good governance there needed to be clear corporate objectives supported by four effective frameworks covering governance, performance management, risk management and policies and procedures.

Internal Audit was a key source of assurance where it was appropriate to review quality. The work of Internal Audit had been assessed against five key questions and, given the positive evaluation in response to these issues as set out in paragraph 6.3 of the report, the Committee concluded that the system of Internal Audit had been generally effective in 2013/14.

In carrying out a review of governance, CIPFA guidance recommended following eight steps in relation to gaps in control and governance assurance as set out in paragraph 7.1. Appendix 4 (section 6) set out the following significant governance issues that had arisen from a review of the assurance framework of Internal Audit reports:

- Review and develop the Council's governance arrangements – progress this issue as part of the current project that looks across the governance arrangements at both Chiltern and South Bucks and as part of the new Council post May 2015 elections.
- Review and update of Business Continuity Management processes and plans taking into account organisational changes and shared working with Chiltern District Council.
- Information Management– actions being identified in co-ordination with Chiltern District Council to address the needs to increase staff awareness of the importance of information management and data security.
- Homelessness Allocations – an action plan to address the issues raised in the audit has been agreed.

The Committee were advised that whilst the web services audit was listed as providing limited assurance, this had now been changed to reasonable assurance and therefore would be removed from the list of issues arising from Internal Audit work.

The Committee requested that completion dates be added to all the actions which would be taken to address the issues in Section 6 of the Annual Government Statement. Furthermore, the Committee requested that the need to comply with the recommendations set out in the risk management audit review be added to the list of issues in Section 6 of the Annual Government Statement including those actions already taken to address the issues raised in the audit.

Having reviewed the assurances set out in the report and summarised above, the Committee

RESOLVED to:

- 1) to add completion dates to all the actions which would be taken to address the issues in Section 6 of the Annual Government Statement;
- 2) to add risk management to the list of issues in Section 6 of the Annual Government Statement including those actions already taken to address the issues raised in the audit;
- 3) confirm that there were no other significant gaps in control/assurance to add to those areas already in Section 6 of the Annual Government Statement apart from risk management;

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- 4) agree the wording of the Annual Governance Statement for 2013/14, subject to the above amendments, for signing off by the Chief Executive and the Leader.

11. AUDIT WORK PROGRAMME

The Committee received the audit work programme for future meetings in 2014/15

12. STANDARDS WORK PROGRAMME

The Committee received the standards work programme for future meetings in 2014/15.

The meeting terminated at 7.24 pm