

AUDIT COMMITTEE

Meeting - 24 September 2015

Present: Mr Bradford (Chairman)
Mr D Smith, Mrs Gibbs, Mr Hogan, Mr Hollis and Mr Sangster

Also Present: Trevor Dobson – Independent Member
Chris Harris - TIAA
Sue Gill and Mandeep Gill - Ernst & Young
Philip Moretti and Tim Collerton - Wilkins Kennedy

Apologies for absence: Marie Gridley - Ernst & Young

19. MINUTES

The minutes of the meeting of the Committee held on 18 June 2015 were confirmed and signed by Chairman.

20. REVIEW OF CODE OF CONDUCT AND COMPLAINTS PROCEDURE

The Committee received a report which asked Members to consider whether the Code of Conduct and Complaints Procedure adopted by the Council in accordance with the Localism Act 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 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. The Committee considered this guidance last year and did not consider that it required any changes to the Council's code. However, the Committee suggested that further guidance on declaration of interest and the position of dual hatted members would be helpful.

This guidance was circulated by the Monitoring Officer as part of the induction training following the elections in May 2015.

The Council's 3 stage complaints procedure was attached as appendix 2 to the report. The Monitoring Officer had not received any formal complaints under the procedure about district councillors and only 3 about parish councillors. The procedure only proceeded past stage 1 in one case which was reported to Members last year.

The Committee noted that there was one vacancy for an independent person which was being re-advertised following the failure to receive any applications when the position was advertised earlier in the year.

Having reviewed the code of conduct, the Committee were of the opinion that it remains fit for purpose. The Committee also considered that the current 3 stage complaints procedure achieves the necessary balance of fairness in the public interest between the complainant and subject member and remains fit for purpose.

RESOLVED that the code of conduct and complaints procedure adopted by the Council remains fit for purpose and no changes are required.

21. SUBSCRIPTION TO STANDARDS EXCHANGE

The Committee considered a report on the use of the on-line Standards Exchange services over the past year and the benefits of continued membership.

The Council has subscribed to the on-line service for Independent Persons, monitoring officers and members of committees responsible for standards issues for the past 2 years. Standards Exchange provides an interactive forum, news on local and national standards issues, shares good practice, highlights events and provides training materials. The annual subscription fee is £300 which provides unlimited access to both members and officers. Standards Exchange continues to be the only website providing specialist independent assistance and guidance on standards issues. The Monitoring Officer has used precedents published on Standards Exchange and together with the Independent Person, taken advantage of their reasonably priced training events.

Having considered the benefits of continued membership, the Committee accordingly

RESOLVED that the Council renews its membership of the Standards Exchange for the forthcoming year and that authority be delegated to the Head of Legal and Democratic Services, in consultation with the Chairman of Audit Committee, to decide whether to renew the subscription in future years.

22. STANDARDS WORK PROGRAMME

The Committee received the Standards Work Programme.

The Committee were advised that all Members of the Council would receive a letter from the Monitoring Officer regarding applying for a dispensation to participate in a discussion and vote on the setting of council tax.

RESOLVED that the Standards Work Programme be received.

23. FARNHAM PARK CHARITABLE TRUST ANNUAL REPORT AND ACCOUNTS 2014/15

The Committee considered a report from the Director of Resources seeking approval to the Farnham Park Charitable Trust Annual Report and Accounts for 2014/15 in accordance with the authority delegated to it by Council on 9 December 2008.

The Committee were advised that the external auditors had completed their audit and had no further changes to make to the accounts.

The report, after explaining the background to the Trust and the Council's responsibilities as Trustee, set out amongst other things:

- The legislative background;
- Format of Charity Accounts;
- The Trustee's Annual Report;
- The Statement of Financial Activities;
- The Balance Sheet.

In response to concerns raised regarding the Trust's financial performance, the Director of Resources explained the processes that were in place to improve the Trust's financial performance and that the Advisory Panel which had been set up was playing an important role in monitoring performance on a regular basis and advising on the strategy to move the

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Trust to a sound financial basis and for the golf part of the operations to deliver on the business case that underpinned the investment in the new clubhouse.

The Committee requested that next year's accounts be broken down to show the different activities in the golf club e.g. catering, golf shop etc.

RESOLVED that the Annual Report and Accounts be approved and authority be delegated to the Chairman to sign the Annual Report and Accounts to signify the completion of the Charitable Trust's approval process.

24. FARNHAM PARK CHARITABLE TRUST AUDIT COMPLETION REPORT

The Committee also received the Management Report to the Trustee prepared by Wilkins Kennedy setting out their findings and recommendations on various matters which came to their attention during the course of the audit of the Charity Accounts of Farnham Park Sports Field for year ended 31 March 2015.

The Committee were advised by the auditors that they anticipate issuing an unqualified audit opinion for the year ended 31 March 2015 for the Charity following receipt of approved accounts signed on behalf of the Trustee and receipt of a signed letter of representation.

RESOLVED that the Chairman of the Audit Committee be authorised to sign and date the Letter of Representation.

25. INTERNAL AUDIT COMPARISON ASSURANCE LEVELS

The Committee received a report from TIAA providing a comparison of assurance levels for the various systems audited between the years 2011/12 to 2014/15 as set out in a table in paragraph 2 of the report.

Whilst the trend indicates a slight reduction in the assurance levels from 2011/12 to 2012/13, this has not continued into 2013/14 and 2014/15 as there has been a slight increase in the number of substantial assurance audits in 2013/14 and 2014/15. The Committee were advised that at this time there was no indication that the overall control framework at South Bucks had significantly reduced as a result of the joint working with Chiltern Council and the transformation arising from the service reviews. Further trends would be undertaken at the end of 2015/16 financial year.

RESOLVED that the report be noted.

26. INTERNAL AUDIT FOLLOW UPS 2014/15

The Committee considered a follow up review report by TIAA which included details of the management action that had been taken in respect of the recommendations arising from the internal audit reviews which were finalised during the 2014/15 financial year.

RESOLVED that the follow up review of internal audit recommendations be noted.

27. INTERNAL AUDIT PROGRESS REPORT 2014/15 & 2015/16

The Committee considered an Internal Audit progress report from TIAA including details of the status of the 2014/15 Audit Plan, the changes to the annual plan 2015/16, as well as progress against the annual plan for 2015/16.

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

28. **ERNST & YOUNG AUDIT PLAN UPDATE YEAR ENDING 31 MARCH 2015**

The Committee received an audit plan update for the year ending 31 March 2015. The update informed the Committee that due to the continuing financial pressures on the whole of local government, Ernst & Young had reviewed the Value for Money Assessment and added a new risk regarding arrangements for security financial reliance. This reassessment did not reflect particular concerns of Ernst & Young on the Council's processes of approach but did reflect the environment in which the Council was currently operating. In their Audit Result report later on the agenda Ernst & Young would not be raising any concerns on this matter.

RESOLVED that the update be noted.

29. **ERNST & YOUNG LOCAL GOVERNMENT AUDIT COMMITTEE BRIEFING**

The Committee received a Local Government Audit Committee Briefing by Ernst & Young which covered the following issues:

- Government and economic news
- Accounting, auditing and governance
- Regulation news
- Key Question for the Audit Committee

The Committee welcomed the useful briefing note.

RESOLVED that the briefing be noted.

30. **FINAL 2014/15 STATEMENT OF ACCOUNTS**

In accordance with the Accounts and Audit Regulations, the Committee received a report on the Statement of Accounts 2014/2015.

The Committee were advised that the external auditors had completed their audit and had no further changes to make to the accounts.

The Committee noted a number of issues arising from the Accounts including the following:

- The General Fund Balance had decreased by £646,000 to £1,862,000 which was primarily due to adjustments relating to retained income from Non Domestic Rates.
- Earmarked Reserves decreased by £70,000 to £2,427,000.
- The Council's capital receipts reduced by £1,467,000 to £7,251,000 due to receipts being used to fund the Council's capital investment programme.
- The pension fund deficit increased by £5,357,000. The accumulated estimated pension fund deficit now stands at £27,953,000.
- Capital expenditure totalled £2,249,000 funded by a combination of capital receipts and government grants.
- Capital income of £740,000 was received in 2014/15.
- Overall expenditure for the year was £34.6m and the overall income was £33.1m (£6.6m of the income was for fees and charges rather than government grants)
- The Authority increased the amount of cash that it holds by £4,330,000.

In response to a query regarding reserves, the Committee's attention was drawn to the movement in reserves statement which showed the movement in the year of the different reserves held by the Authority, analysed into useable reserves and other reserves.

With regards to the pension fund, the Committee were advised that a detailed report on the Pension Fund was due to be considered this time next year by the Council. In the meantime, if Members wanted to gain more of an understanding of the scheme, the Fund's actuary would be giving a briefing at Chiltern District Council in January next year which would be open to members of South Bucks District Council to attend.

RESOLVED that the 2014/2015 Accounts be approved and signed by the Chairman of the Committee to signify the completion of the Authority's approval process.

31. **ERNST & YOUNG ANNUAL RESULTS REPORT**

The Committee received the Annual Results Report by Ernst & Young which summarised the findings of the financial statements of the Council for the year ended 31 March 2015.

The Committee were advised by Ernst & Young that they anticipate issuing an unqualified opinion on the accounts and that with regards to Value for Money that the Council has made appropriate arrangements to secure economy, efficiency and effectiveness in its use of resources.

RESOLVED that the Chairman of the Audit Committee be authorised to sign and date the Letter of Representation.

32. **ANNUAL FRAUD REPORT**

The Committee received a report which detailed the anti-fraud activity completed during the 2014/15 financial year and the outcomes where appropriate. The report also set out the action plan for areas of work to be reviewed in the year 2015/16, with the intention of identifying risk areas and taking pro-active work to prevent and deter fraud.

South Bucks District Council works in partnership with Chiltern District Council in relation to all anti-fraud activity in relation to Local Council Tax Support and provides assistance to Internal Audit, supplementing the resources for fraud and irregularity as well as carrying out a planned fraud review of high risk fraud areas.

RESOLVED that the report be noted.

33. **RISK BASED VERIFICATION POLICY**

The Committee considered a report which asked Members to consider whether to approve a policy, attached as appendix A to the exempt part of the agenda, for Risk Based Verification to be used for the assessment of Housing and Council Tax Support. If approved, all new claims would be assessed using Risk Based Verification with effect from October 2015.

The Committee were advised that the Resources PAG, who considered the Policy on 10 September 2015, were in support of the new policy.

Having considered the benefits of the policy, which would include improving processing times and customer service, and opportunities to identify fraud and error, the Committee accordingly

RESOLVED that the Risk Based Verification Policy be approved and signed off by the Chairman of the Committee.

34. **PROPOSED AMENDMENT TO THE CONTRACTS PROCEDURE RULES**

The Committee considered a report proposing amendments to the Council's Contracts Procedure Rules in order to comply and better align with the Public Contracts Regulations which have introduced a new requirement that all contracts with a value estimated to be greater than £25,000 must be advertised on the Crown Commercial Service website Contracts Finder.

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Having considered the proposals set out in section 4 of the report and the advantages and disadvantages of the options set out in section 5, the Committee accordingly

RECOMMENDED to Council that the Council's Contacts Procedure Rules are amended (as shown in Appendix A) to comply and better align with the Public Contracts Regulations.

35. **AUDIT WORK PROGRAMME**

The Committee received the Audit Committee Work Programme.

RESOLVED that the Audit Committee Work Programme be received.

36. **ANY OTHER BUSINESS**

None.

37. **EXCLUSION OF PUBLIC**

That under Section 100A(4) of the Local Government Act 1974 the public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in Part 1 of Schedule 12A to the Act “

- Audit Management Arrangements (Paragraph 2)
- Risk Based Verification Policy Appendix (Paragraph 7)

The meeting terminated at 7.50 pm