

Audit Committee Minutes

Date: 26 June 2014

Time: 7.00 - 8.54 pm

PRESENT: Councillor M C Appleyard (in the Chair)

Councillors J L Richards OBE, A D Collingwood, D M Watson, R Wilson and R Farmer

Also present: Susan Gill (External Auditor, Ernst & Young)

1 MINUTES

RESOLVED: That the minutes of the meeting held on 27 March 2014 be confirmed as a correct record and signed by the Chairman.

2 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors I Bates and P R Turner, and from Maria Grindley, Audit Director (Ernst & Young).

3 DECLARATIONS OF INTEREST

There were no declarations of interest.

4 HEALTH AND SAFETY UPDATE

The Committee received a report which updated members on health and safety issues and key health and safety statistics for 2013-14.

The Shared Support Services Manager and the Interim Health and Safety Officer reported that risk levels within the organisation are generally low and effectively managed, the work programme has been reviewed, and a new work programme has been established for 2014-15. The Audit Committee was informed that it would be updated with progress against the programme at future meetings.

It was noted that a recent recruitment process to appoint a permanent Health and Safety Officer had been unsuccessful; it was therefore proposed to seek a temporary appointment from July, in order to provide resource in the short term to deliver work programme commitments when the current interim Health and Safety Officer leaves the council. The Committee recommended that the temporary appointment should start before the current interim health and safety officer finishes (i.e. by 31 July), in order that the progress made to date is not jeopardised.

The Shared Services Manager advised that in the longer term, all councils within a 30-mile radius had been contacted to discuss the possibility of a more permanent partnership approach. Interest has been received from a number of councils, some

of whom are already working in partnership in this area. A progress update was requested for the next meeting.

RESOLVED: That the Health and Safety update be noted.

5 DRAFT ANNUAL GOVERNANCE STATEMENT 2013-14

The Committee was advised that the council is required by statute to review the effectiveness of its system of internal control and publish an annual governance statement with the statement of accounts. The report before the Committee presented the draft Annual Governance Statement for 2013-14, which followed guidance issued in 2012 via an addendum to the CIPFA/SOLACE publication *'Framework for Delivering Good Governance in Local Government.'* The final statement would be brought to the Committee in September with the final Statement of Accounts 2013/14.

The Committee heard that the draft Annual Governance Statement had been prepared by the Corporate Governance Group following completion of two separate streams of work:

- Corporate assessment of organisational issues in relation to the six principles and using the checklist contained in the code;
- Annual Assurance Statements which are completed by each Head of Service (and signed off by the Corporate Director).

The assessment had identified no areas of non-compliance in governance terms; however, four themes had been identified for action in 2014/15 to be addressed through actions in the strategic risk register. These were: (i) contract management; (ii) health and safety; (iii) information management; and (iv) major projects capacity and capability.

In discussion members considered that there was a further area for improvement around contract commissioning which, whilst not identified in the annual assurance review, should be included amongst the key themes in recognition of the major projects this Council was involved in.

RESOLVED: That, subject to the inclusion of contract commissioning as an area for improvement, the draft Annual Governance Statement for 2013/14 be approved.

6 AUDIT COMMITTEE TERMS OF REFERENCE SELF - ASSESSMENT OF GOOD PRACTICE

At the previous meeting, the Committee had delegated authority to the Chairman and Vice-Chairman of the Audit Committee, in conjunction with the Audit, Risk & Fraud Manager, to complete the self-assessment of good practice as contained in CIPFA's *'Audit Committees – Practical Guidance for Local Authorities and Police'* 2013 Edition.

The report before the Committee presented the partly completed self-assessment of good practice questionnaire (contained at Appendix A of the report). Members were invited to endorse the proposed responses, and answer questions 18, 19 and 20 covering the effectiveness of the committee. Members were also asked to complete the self-assessment checklist against the core knowledge and skills framework contained at Appendix B of the report.

Members agreed the proposed responses to the self-assessment of good practice. In relation to question 8 ('Is an annual evaluation undertaken to assess whether the committee is fulfilling its terms of reference and that adequate consideration has been given to all core areas') it was agreed that the answer to this was currently 'no'. It was agreed that an annual evaluation should be undertaken in light of the CIPFA guidance, and the Audit, Risk and Fraud Manager undertook to bring a skeleton outline of a suggested format for an annual report to the next meeting.

In relation to question 18 ('Has the committee obtained feedback on its performance from those interacting with the committee or relying on its work?') it was agreed that the answer was 'yes', with feedback having been obtained from the external auditors.

In relation to question 19 ('Has the committee evaluated whether and how it is adding value to the organisation') it was agreed that the answer was 'yes', with evidence able to be provided by way of the minutes of the committee's meetings. It was suggested that an issues log may assist in monitoring outcomes and the Head of Finance and Commercial undertook to develop this further.

In relation to question 20 ('Does the committee have an action plan to improve any areas of weakness?') it was agreed that the answer was partly 'yes', but that further structure around improving any areas of weakness was needed.

At the Chairman's request, members of the committee completed the self-assessment checklist against the Knowledge and Skills Framework at the meeting.

RESOLVED:

- (i) That the draft self-assessment of good practice as prepared by the Audit, Risk and Fraud Manager in accordance with CIPFA's Audit Committee Practical Guidance for Local Authorities and Police 2013 Edition, be agreed for final completion, subject to the amendments outlined above;
- (ii) That an annual evaluation to assess whether the Committee is fulfilling its terms of reference be undertaken in light of the CIPFA guidance to ensure that adequate consideration has been given to all of the core areas as included in the guidance; and
- (iii) That individual members of the Committee complete the self-assessment checklist against the core knowledge and skills framework as detailed in the CIPFA guidance.

7 **AUDIT, RISK AND FRAUD MANAGER'S ANNUAL REPORT**

At the start of the meeting the Committee received a presentation from the External Audit Manager, Susan Gill, entitled '*Protecting the Public Purse – Fraud Briefing 2013*'. The presentation covered the national picture in 2012/13 in relation to fraud detection; comparison with other Buckinghamshire district councils across common fraud areas (housing benefit, council tax benefit, council tax); and other fraud types and detection rates, split by both number of cases identified and the financial value of the fraud. It was noted that the issues identified would feed into forthcoming counter-fraud strategies and priorities. In response to members' questions about Single Person Discount fraud, the Head of Finance and Commercial reported that the council has previously commissioned Capita to undertake sample checking of those claiming the discount and to investigate any inconsistencies. The last time the exercise was carried out approximately 900 discounts were removed: the exercise is being repeated this year and the Committee requested that the results are brought back once it has concluded.

The Audit, Risk & Fraud Manager's Annual Report for the period to 31 March 2014 was presented to the Committee, and members received an update on the work of the Internal Audit service. The report included an update of audit reviews completed in the last year, including analysis of the responses of the customer satisfaction questionnaires issued on completion of each audit, and a detailed progress report from the Visiting and Investigations Team. Mike Howard, Audit, Risk and Fraud Manager reported that two internal audit reviews had revealed significant internal control weaknesses: these related to the Rent Deposit Scheme, and a review of Saunderton Lodge due to be finalised imminently. It was agreed that a follow-up meeting should be arranged for September 2014 with the Head of Service / Housing Service Manager to ensure that appropriate action has been taken to address issues highlighted in recent audit reviews and provide confirmation that these have been fully embedded and lessons applied in other core business areas within the service.

RESOLVED: That the Audit, Risk and Fraud Manager's Annual Report for the year to 31 March 2014 be noted.

8 **TREASURY MANAGEMENT ANNUAL REPORT 2013/14 AND PRUDENTIAL INDICATORS**

The Head of Finance and Commercial presented the Treasury Management Annual Report 2013/14, as required under the 2009 edition of *CIPFA Treasury Management in the Public Services: Code of Practice* which had been adopted by the Council in February 2010. The report also included the Prudential Indicators for 2013/14 for the Committee's consideration: a revised Appendix A was tabled to reflect a revision to the waste lease calculations and also to reflect changes to limits to borrowing activity agreed by Council in-year.

Members were informed that 2013/14 continued the challenging investment environment of previous years with low investment returns, although levels of

counterparty risk had subsided somewhat. In relation to the Treasury Management Indicators, members were concerned that all local authorities are assumed to hold a AAA rating, and recommended that the Treasury Management Strategy for 2014/15 should include a review of the criteria used in relation to local authority deposits.

It was reported that the Council still had £0.5m invested in an interest bearing escrow account in Iceland throughout the year pending relaxation of the Icelandic central bank restrictions over Icelandic Krona transferring offshore. In May 2014 the Council was notified that the Icelandic Supreme Court had found in favour of non-priority creditors that the original settlement to priority creditors in April 2009 was calculated incorrectly by the Glitnir Winding-Up Board. Further legal advice is awaited, but should the sum have to be repaid the cost would be approximately £46,000.

RESOLVED:

- (i) That the treasury management report for 2013/14 be noted;
- (ii) That the 2014/15 treasury management strategy be reviewed in relation to local authority deposits and the investment parameters to be used.

9 FEEDBACK FROM PERFORMANCE INDICATOR ANALYSIS MEETING

The Chairman and Vice-Chairman provided a verbal update to the Committee on the outcomes of the most recent Performance Indicator Analysis meeting held on 14 May.

Key areas of discussion had included QVR energy usage, and it had been noted that there had been reductions in consumption across all services - gas, electricity and water. The group had also discussed NI 157a (Major Planning Applications determined within 13 weeks), as it had been considered that performance in this area could be improved if developers were encouraged to make applications following a period of discussion with Planners, rather than this delaying the process once started. Comment to this effect had been made to the Chairman of the Planning Committee and Development Manager.

A point was made by a member that some of the 2013/14 Key Performance Indicators were more than 10% away from target (adverse), and it was recommended that an assessment should be made about which committee would take these forward to identify any key actions required (Audit or Improvement & Review). The Chairman undertook to take this request back to the Performance Indicator results group.

The feedback from the Performance Indicator Analysis meeting was noted.

10 AUDIT COMMITTEE WORK PROGRAMME

The Committee reviewed its work programme, as appended to the agenda.

RESOLVED: That the Audit Committee work programme, as set out in the agenda, be approved.

11 INFORMATION SHEETS

RESOLVED: That the information sheet 02/2014 *Update on the Introduction of the DWP Single Fraud Investigation Service* be noted.

Chairman

The following officers were in attendance at the meeting:

Steve Richardson	- Head of Finance and Commercial
Mike Howard	- Audit, Risk and Fraud Manager
Karen Newman	- Health & Safety Officer
Charles Meakings	- Head of Democratic, Legal and Policy Services
Paul Spencer	- Shared Support Services Manager