

# Audit Committee Minutes

Date: 25 June 2015

Time: 7.00 - 8.40 pm

**PRESENT:** Councillor M C Appleyard (in the Chair)

Councillors S Saddique, Ms C J Oliver, C Whitehead and G C Hall, N J B Teesdale

**Also present:** C Baston (Lead Executive, EY)

## 1 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors A Lee and G Peart, and from Sue Gill, Audit Manager, EY and Maria Grindley, Audit Director, EY.

## 2 DECLARATIONS OF INTEREST

There were no declarations of interest.

## 3 MINUTES

**RESOLVED:** That the minutes of the meeting held on 5 March 2015 be confirmed as a correct record and signed by the Chairman.

## 4 INTRODUCTION TO THE AUDIT COMMITTEE - PRESENTATION

As this was the first meeting following the elections held in May 2015, the Committee received a presentation outlining its terms of reference and role, for the benefit of new members of the Committee.

The main areas of responsibility of the Committee were noted as follows: Corporate Governance, Internal Audit (including Corporate Investigations), External Audit, Health & Safety, Statement of Accounts, Treasury Management and Key Performance Indicators. Officers with responsibility for the various areas presented their individual roles and responsibilities.

Members heard that the Committee's recommendations and issues arising from meetings are monitored by means of an issues log, in order to enable outcomes to be tracked. A forward plan of agenda items is reviewed at each meeting. A periodic self-assessment is undertaken, which provides a measure of the effectiveness of the Audit Committee against CIPFA's best practice guidance, and regular review is undertaken to assess the knowledge and skills of the members of the Audit Committee. An annual report, introduced in 2014, provides a summary of the work undertaken by the Committee in the previous 12 months.

**RESOLVED:** That the presentation and the Committee's terms of reference be noted.

## **5 HEALTH & SAFETY ANNUAL REPORT 2014-15**

The Committee received a report which updated members on health and safety issues and key health and safety statistics for 2014/15.

The Shared Support Services Manager reported that it had been a successful year for the health and safety function, with a low level of accidents. Resource had been put in place through an agreement with Bucks CC to ensure a cost-effective and robust service, and governance arrangements had been tightened. The Committee noted that the work programme for 2015/16 had been approved by the Committee in March and that work was already underway to deliver it. The Shared Support Services Manager highlighted that one area of growing concern was management of stress, and tools were being developed to help managers with this.

**RESOLVED:** That the Health and Safety Annual Report be noted.

## **6 RED KITE PERFORMANCE UPDATE**

The Committee received a report which provided an update on Red Kite performance following the transfer of housing stock in December 2011. Under the terms of the transfer Red Kite was obliged to comply with the promises which had been made to the Council in its pre-ballot offer to tenants.

The report detailed that of the 109 promises and commitments included as at May 2015, which was the most up to date information available, 71 (65%) were recorded as being completed, 29 (27%) were recorded as on target, 2 (2%) were marked as in progress 3 (3%) were marked as not started, whilst 1 (1%) was recorded as being at risk. The Housing Services Manager reported that December 2016 was the overarching deadline by which all promises must be completed as per the Transfer Offer to tenants and residents.

It was agreed that Red Kite was making good progress towards the Promises made in the Transfer Offer, with significant progress made since the previous report to the Audit Committee. In relation to the one promise marked by Red Kite as 'at risk', it was noted that this related to the Castlefield Regeneration Project, which was a major development and therefore likely to be on-going for a significant period of time.

**RESOLVED:** That the Red Kite Performance Update be noted.

## **7 EY AUDIT PROGRESS REPORT 2014-15**

The Committee received EY's audit progress report, which summarised the work to date on the 2014/15 audit.

Chris Baston, Lead Executive EY, reported that audit work was proceeding well, and much early substantive testing had already taken place. No issues had been

identified which needed to be drawn to the Committee's attention. Officers within the finance section were thanked for their help to date.

**RESOLVED:** That the audit progress report be noted.

## **8 EY ANNUAL AUDIT AND CERTIFICATION FEES 2015-16**

The Committee received the EY Annual Audit and Certification Fees for 2015-16.

It was noted that the indicative fees for both the audit and the certification of housing benefit subsidy claim had reduced by 25% as a result of the re-procurement of contracts in 2014 following the disbanding of the Audit Commission.

**RESOLVED:** That the EY Annual Audit and Certification Fees for 2015-16 be noted.

## **9 DRAFT ANNUAL GOVERNANCE STATEMENT**

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 2014-15, which followed guidance issued in 2012 via an addendum to the CIPFA / SOLACE publication '*Framework for Delivering Good Governance in Local Government*'.

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 (signed off by the Corporate Director or Chief Executive as appropriate).

The Head of Democratic, Legal and Policy Services reported that four areas for improvement, all of which had been included in the previous governance action plan, remained, namely:

- Major projects – capacity and capability
- Contract management
- Health and safety
- Information management

These would continue to be monitored through the Strategic Risk Register. It was noted that the signed Annual Governance Statement would be brought back to the Committee in September, as there was a statutory requirement for it to be considered alongside the approval of the statement of accounts.

**RESOLVED:** That the draft Annual Governance Statement be noted.

## 10 **AUDIT, RISK AND FRAUD MANAGER'S ANNUAL REPORT 2014-5**

The Audit, Risk and Fraud Manager's report for the year to 31<sup>st</sup> March 2015 was presented, 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.

The Audit, Risk and Fraud Manager reported that his overall opinion was that significant assurance could be given that there was a generally sound system of internal control designed to meet the Council's objectives and that controls were being applied consistently.

He reported that there had been some changes to the audit programme agreed by the Committee in June 2014 in that one review of Parking Services and two contract reviews (CSC/ICT and Leisure Centre Operator) were not undertaken. All had been rescheduled for 2015/16.

The Audit, Risk and Fraud Manager also clarified that on 28 February 2015 the Visits and Investigations Team transferred to the DWP. He reported that a new Corporate Fraud Investigations Team had been created, and a report outlining the Council's approach to corporate fraud would be brought to the September meeting.

**RESOLVED:** That the Audit, Risk and Fraud Manager's Annual Report for the year to 31 March 2015 be noted.

## 11 **PROPOSED INTERNAL AUDIT PROGRAMME 2015-16**

The Committee received a report which presented the proposed Internal Audit programme for 2015-16. It was noted that the programme had been compiled taking into account the following contributions:

- The Council's Internal Audit service would continue to undertake the core financial audits necessary to provide Management with an assurance as regards the effectiveness of the internal control framework;
- Areas of interest from the Chief Executive, the Corporate Director, the Council's S151 Officer and the Heads of Service;
- Areas of interest as determined by the Audit, Risk and Fraud Manager.

The Audit, Risk & Fraud Manager invited Members to contact him if there were any other areas which they felt should be reviewed.

In response to a Member's question on business continuity, the Audit, Risk and Fraud Manager advised that following the fire at South Oxfordshire District Council the issue of business continuity was to be addressed as part of the work programme of the Corporate Governance Group. However, a review could be

scheduled if Members felt this was required following the consideration by the Corporate Governance Group.

**RESOLVED:** That:

- (i) the provisional Internal Audit programme for 2015-16 be noted;
- (ii) the plan be reviewed half-yearly as part of the Audit, Risk and Fraud Manager's half-yearly report.

## **12 2014-15 SERVICE PERFORMANCE AND YEAR END OVERVIEW**

The Head of Democratic, Legal and Policy Services presented a report detailing service performance for Q4 2014/15 and Year End Overview. He reported that performance indicators now fell within the remit of the Committee, and therefore the report appended to the agenda represented the first report to the Committee on service performance.

As background, Members heard that service performance indicators had previously been considered by the Chairmen and Vice-Chairmen of both the Improvement and Review Commission and the Audit Committee as a separate process, in addition to consideration by Cabinet. However, it had recently been agreed that the Audit Committee should take responsibility for reviewing service performance, and Performance Indicators had therefore been added to its remit. The indicators would continue to be considered by Cabinet on a quarterly basis.

In considering the information as presented the Chairman highlighted that he wished to work in conjunction with Cabinet rather than duplicating work (e.g. by considering the same report). It was therefore requested that officers give further thought as to how the information could be presented in a way which would best assist the Committee to identify those areas where further investigation is needed. For example, a focus on those areas where performance is more than 5% below target. It was noted that where performance is more than 5% below target this may not necessarily indicate problems; it may be that there is a period of change or a specific issue. The presentation of the information should also reflect this.

**RESOLVED:** That

- (i) the 2014/15 Service Performance Q4 and Year End Overview be noted;
- (ii) further consideration be given to the way in which the information is presented.

## **13 AUDIT COMMITTEE WORK PROGRAMME**

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

The Head of Finance and Commercial informed Members that a report on Treasury Management Strategy would need to be brought to the 24 September meeting, following a recent decision by Investec, the Council's treasury fund manager, that

they were withdrawing this product from the market and would repay the funds currently held.

The Head of Finance and Commercial reported that a training needs assessment questionnaire would be circulated to all members of the committee and the results would be reported to the September meeting. This would enable any gaps to be identified in order that training could be arranged.

It was agreed that a briefing on the 2014/15 Statement of Accounts should be provided for Members in advance of the September meeting, and officers undertook to arrange this. A training session for new members to the committee on treasury management was also proposed.

**RESOLVED:** That the work programme be approved, subject to the amendments outlined above.

## **EXCLUSION OF PRESS AND PUBLIC**

**RESOLVED:** That the Press and Public be excluded from the meeting during consideration of the following item as it contains exempt information as defined in Regulation 4(2)(b) of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012, more particularly as follows:

### **Minute 14 – Strategic Risk Register**

Information relating to the financial or business affairs of any particular person (including the authority holding that information (Paragraph 3, Part 1 of schedule 12A, Local Government Act 1972)

[The need to maintain the exemption outweighs the public interest in disclosure because disclosure could prejudice the Council's position in any future tender process or negotiations]

## **14 STRATEGIC RISK REGISTER**

The Committee received a report which provided an update on the Strategic Risk Register for Quarter 4, 2014/15.

For the benefit of the new members of the Committee, the Audit, Risk & Fraud Manager explained the process by which the Risk Register was compiled and kept under review, and the impact and probability matrix.

The Audit, Risk and Fraud Manager reported that the Audit Committee's forward plan includes the provision for risk owners to be invited to attend Audit Committee meetings as required in order to provide information relating to the individual strategic risks for which they are responsible. Members were invited to let officers know if there were any risks which they would like to look at in more detail at the November meeting.

**RESOLVED:** That the Strategic Risk Register for Quarter 4 2014/15 be noted.

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Chairman

**The following officers were in attendance at the meeting:**

Emma Lund	- Senior Democratic Services Officer
Steve Richardson	- Head of Finance and Commercial
Mike Howard	- Audit, Risk and Fraud Manager
Brian Daly	- Housing Services Manager
Paul Spencer	- Shared Support Manager
Charles Meakings	- Head of Democratic, Legal and Policy Services
Pat Beveridge	- Corporate Health & Safety Adviser
Nisar Visram	- Financial Services Manager