



## MINUTES

### AUDIT COMMITTEE

**5.10pm to 5.55pm**

**19 November 2013**

Present: Councillors Little (chair), Wright (vice chair), Boswell, Driver, Kendrick, Neale and Waters

Apologies: Councillor Driver

#### **1. DECLARATIONS OF INTEREST**

There were no declarations of interest.

#### **2. MINUTES**

**RESOLVED** to approve the accuracy of the minutes of the meeting held on 24 September 2013, subject to item 5, Statement of accounts 2012-13, resolution, inserting the following paragraph, which had been omitted from the minutes:

“(3) record the committee’s gratitude to the chief finance officer, chief accountant and the finance team for submitting the accounts within the statutory timescale.”

#### **3. PROPOSED RISK MANAGEMENT POLICY AND RISK MANAGEMENT STRATEGY**

The audit manager (LGSS) presented the report, and together with the head of internal audit and risk management (LGSS) and the chief finance officer, answered members’ questions.

During discussion the committee considered the council’s appetite for risk and that there was an element of subjectivity in the assessment of risk. Members considered the definitions of inherent risk which was the stage where the main risks faced were identified and reinforced the risk owner’s responsibility to ensure that effective mitigation was in place. The risk owner would also need to ensure that the risk was managed to ensure that the residual risk did not exceed the council’s appetite. Members were advised that target dates would be added for the implementation of

actions to reduce risk and that if these dates were not met then a revised target date would be agreed and recorded.

Discussion ensued in which members considered risk management and partnership working, particularly about the controls in place to mitigate against the failure of a third party's business who was contracted to supply services on the council's behalf, and its inability to supply services. Members were advised that checks would be made on the third party's insurance and to ensure that business continuity arrangements were in place. The risk management policy and risk management strategy were the key controls to ensure that risks were managed. The council would use intelligence to be aware of the risk by taking account of changes to business practices, such as requiring invoices to be paid within 14 days rather than 28 days. In response to question about the fact that companies could score risk differently to the council, members were advised that due diligence had been applied to large contracts but there were commercial reasons why companies would not share information on risk. The corporate governance arrangements for joint ventures or shared services provided a framework for working in partnership.

Members then discussed the head of internal audit and risk management's informal presentation to the committee on risk management and considered that information on risk management was of general interest to all members.

Further discussion ensued on the definition of risk as "Factors, events, or circumstances that may prevent or detract from the achievement of the council's corporate priorities and service plan objectives," and how actions applied to the current period and in the long term. Members were advised that the council's corporate priorities responded to long term risk which impacted on current priorities. It was noted that effective risk management was a key element in delivering the council's corporate plan and that the action plan would need to constantly change and evolve. The approach to risk might change in the future and therefore the council might engage in more activities which were subject to greater residual risk.

**RESOLVED to:**

- (1) recommend to cabinet to approve the council's risk management policy and risk management strategy;
- (2) ask the councillors' development group to arrange a session for all councillors on risk management to be facilitated by the head of internal audit and risk management (LGSS).

**4. INTERNAL AUDIT AND FRAUD TEAM 2013-14 - SEPTEMBER TO OCTOBER UPDATE**

The internal audit manager (LGSS) presented the report, and together with the head of internal audit and risk management (LGSS) answered members' questions. Members were advised that the National Fraud Initiative was progressing well and that there were a number of outstanding benefit queries which had resulted from the initiative. He pointed out that there was one small review to the audit plan. A formal decision had not been made to either upgrade Oracle, the council's financial management system, or replace it with another system. Members were also advised that all three of the ICT audits had been completed.

During discussion members considered the allocation of resources to conduct audits and noted that surplus resources were allocated as a contingency. Most audits were conducted within the time allowed and surplus resources could be reallocated over the remainder of the year.

**RESOLVED** to note:

- (1) the work of the internal audit team between September and October 2013;
- (2) progress on the internal audit plan;
- (3) the work of the fraud team between September and October 2013;
- (4) the latest position on the National Fraud Initiative (NFI).

## **5. ANNUAL AUDIT LETTER**

The director of the external auditors (Ernst & Young LLP) presented the annual audit letter to the committee. He said that the Audit results report (ISA 260) had been issued on 24 September 2013, and the external auditors had then issued an unqualified audit opinion on the financial statements of the authority and the value for money conclusion on 30 September 2013. The external auditors reported its findings to the National Audit Office on the accuracy of the consolidation pact the authority is required to prepare for the Whole of Government and issued the audit completion certificate on 30 September 2013. There was one element of outstanding work in relation to grant claims for housing benefits, which should be completed next week but might slip. The external auditors planned to issue the annual certification report to those charged with governance for 2012-13 financial year by 31 January 2014. This was good news and the first time that the council had met the statutory deadlines in recent years.

The director then referred to the fees section and explained the reasons for the additional fee arising from additional time and work required to complete audit procedures that had overrun from previous years; and specialist technical support to help the authority prepare its accounts for the self financing of the Housing revenue account (HRA). He explained that the external auditors were waiting for agreement from the chief finance officer on these fees. The Audit Commission would then sign off the scale of fees and the variation in the fees. He pointed out that the external auditors had provided support to the finance team in the preparation of the accounts and not all of that cost had been passed on. The chair said that there were genuine reasons for the variation in costs and that he expected that in future years the cost of the external auditors' fees would be reduced. A member noted that the headings to the table which set out the fees had not yet been amended.

In response to a question, the chief finance officer updated the committee on the position of the council's asset register. The council was in the process of reviewing its financial management system and looking at various options, which included replacing it with another system that could produce the fixed asset register and was more suited to the size of the council. Currently this information was on

spreadsheets and the council was not considering a bespoke system. Officers were planning to visit another authority to see how a system was being used

**RESOLVED** to note the Annual Audit letter from the external auditors.

## **6. LOCAL GOVERNMENT AUDIT COMMITTEE BRIEFING**

**RESOLVED** to:

- (1) note the briefing note provided by Ernst & Young, the council's external auditors, for audit committees in the local government sector;
- (2) ask that the briefing document is made available on e-councillor.

CHAIR