



Audit committee

16:30 to 18:00

18 November 2014

Present: Councillors Neale (chair), Wright (vice chair), Boswell, Driver (substitute for Councillor Bremner), Harris, Kendrick, Little and Waters

Apologies: Councillor Bremner

1. Declarations of interest

There were no declarations of interest.

2. Minutes

RESOLVED to agree the accuracy of the minutes of the meeting held on 18 November 2014, subject to item 4, Audit results report, the final sentence of the last paragraph, deleting "would be available by January 2015."

3. Annual Audit letter

(The external audit director (EY) attended the meeting for this item.)

The chief finance officer introduced the report and provided clarification for each of the four significant risks outlined in the external auditor's report.

Discussion ensued on the weakness in the fixed asset register system. In reply to a member's question, the chief finance officer said that she would work with the external auditors to agree reasonable figures for 2007 when the revaluation reserve was first introduced. The external audit director explained what materiality was in relation to assessing the group boundary and how it was applied on a company by company basis. Members were also advised that the understatement of £0.511 million in the provision charged to the collection fund would be amended in future years.

The committee noted that the conclusions of the external audit work that had been undertaken on the 2013-14 accounts were set out in the Executive summary.

RESOLVED to note the contents of the annual audit letter and the attached report from the council's external auditors.

4. Risk management report

The internal audit manager, LGSS, presented the report and explained the changes to the corporate risk register and risk management policy following a review by the corporate leadership team. (Copies of the annexes showing the proposed changes to the corporate risk register and risk management policy were circulated at the meeting.)

During discussion the internal audit manager, the head of internal audit and risk management (LGSS) and the chief finance officer referred to the report and answered members' questions on the methodology used for risk management.

A member referred to the corporate risk register and expressed concern that in relation to A2, relating to the delivery of the corporate plan and the supporting policies and strategies within the council's strategic framework, the controls, which included the environmental strategy, should be considered individually. The chair referred to the environmental strategy and said that he considered the controls to be reactive rather than positive. Members were advised that the delivery of the council's corporate priorities cascaded to service level agreements. Councillor Waters, cabinet member for resources, said that the cabinet had adopted a well-rounded approach to assess the inherent risks to the implementation of the corporate plan and that the controls to mitigate this risk were actions that the council would take to reduce the risk. He also pointed out that the cabinet and scrutiny committee considered the performance indicators and monitored the performance of the delivery of the corporate plan throughout the year. The residual risk for public sector funding was high because government policy could change and be adverse to the delivery of the council's delivery of its corporate policies. Therefore the controls were responsive to external factors coming into play.

During discussion members referred to the corporate risk register and sought clarification on specific items. Members were advised that the key controls in relation to B4, capital developments included robust contract management. The key controls associated with the delivery of council housing could be reviewed. A member referred to C4, failure of a major contractor or legal challenge following an unsuccessful tender bid would produce the same score following the key controls. The internal audit manager said that the key controls were satisfactory and would reduce the risk but not the impact. In relation to B2, income generation, members were advised that in addition to the key controls listed there would be training for senior officers in commercial skills. A member referred to C3, information security, and suggested that "avoid" should be replaced with "prohibit" to ensure that no data was saved on any device unless it was encrypted. Members were advised that the council's ICT policy had been updated and the council now used encrypted laptops and memory sticks. A member pointed out that C3 should also include external malicious attacks.

Discussion ensued on whether climate change should be included on the corporate risk register as a risk in its own right. It was suggested that the impact of climate change was addressed through the council's policies and strategies. The committee was advised that the corporate risk register should be meaningful to the delivery of the council's corporate priorities. The cabinet proposed the corporate plan to the

council for adoption and discussion on policy was outside the remit of this committee.

RESOLVED to recommend the amendments to corporate risk register and risk management policy to cabinet.

5. Internal audit and fraud team 2014-15 – September to October update

The internal audit manager presented the report. He also updated the committee on the proposals for a review of the 26,000 people in receipt of council tax single person discount (SPD) and the discussions with the county council. It was expected that around two to six percent of people in receipt of SPDs would be found to be ineligible. The county council was not obliged to fund the review but would receive three-quarters of the sum from the cessation of discounts. The internal audit manager, together with the head of internal audit and risk management and the chief finance officer, referred to the report and answered members' questions.

During discussion the committee considered the potential for fraud within the organisation and was assured that the council's governance arrangements, financial systems and policies to prevent the risk of fraud, including internal audit arrangements. The external auditor also confirmed that incidents of fraudulent activity would be identified as part of the annual audit of the accounts.

The team leader (fraud) (LGSS) provided a detailed response to a member regarding the reasons for benefit overpayments and explained that many were customer error and this could be reduced. The benefits system was not flexible resulting in overpayments when people worked for part of a week or people not informing the council of a change in circumstances. The council was awarded incentives for meeting targets and penalised for officer error through the benefits administration grants.

During discussion the committee noted that 161 local authorities had submitted bids to the Department for Communities and Local Government to retain its counter-fraud work and develop new areas to counter-fraud.

RESOLVED to note:

- (1) the work of internal audit between September and October 2014;
- (2) progress on the 2014-15 internal audit plan;
- (3) work of the fraud team between April and October 2014;
- (4) latest position on the national fraud initiative (NF1).

CHAIR