

AUDIT COMMITTEE
14/11/2019 at 6.00 pm



Present: Councillor Haque (Vice-Chair, in the Chair)
Councillors Dean, C. Gloster, Salamat, Sheldon, Hobin and Iqbal

Also in Attendance:

Anne Ryans	Director of Finance
Jane Whyatt	Audit and Counter Fraud Manager
Karen Murray	Mazars
Lee Walsh	Finance Manager - Capital & Treasury
Sabed Ali	Assistant Manager- Internal Audit
Andy Bloor	Assistant Manager - Counter Fraud
Victoria Gallacher	Insurance Portfolio Manager
Sian Walter-Browne	Constitutional Services

1 **APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillor Ahmad.

2 **URGENT BUSINESS**

There were no items of urgent business received.

3 **DECLARATIONS OF INTEREST**

There were no declarations of interest received.

4 **PUBLIC QUESTION TIME**

There were no public questions received.

5 **MINUTES OF PREVIOUS MEETING**

RESOLVED that the minutes of the Audit Committee meeting held on 24th September 2019 be approved as a correct record.

6 **VARIATION OF ORDER AND EXCLUSION OF PRESS AND PUBLIC**

The Chair advised, with the concurrence of the Committee indicated without debate or vote, of the intention to consider item 12 at this point in the agenda and so the Committee

RESOLVED that, in accordance with Section 100A(4) of the Local Government Act 1972, the press and public be excluded from the meeting for the following item of business on the grounds that it contains exempt information under paragraph 3 of Part 1 of Schedule 12A of the Act, and it would not, on balance, be in the public interest to disclose the report.

7 **INTERNAL CONTROL MATTERS**

The Committee received a report to provide assurance that the issues identified and reported previously to the Committee around internal control matters in Health and Adult Social Care Community Services were being dealt with appropriately.

The Committee were informed that the Audit resource had largely been applied to support the implementation of change. There had been improvements and there would always be challenges in this very complex service area.

Members queried and received responses as to how improvements in the arrangements had been identified and the scheduling of implementation of new arrangements.

RESOLVED that the report be noted and further update reports be provided to this Committee.

8 **RE-ADMISSION OF PRESS AND PUBLIC**

RESOLVED that the press and public be re-admitted to the meeting.

9 **TREASURY MANAGEMENT MID-YEAR REVIEW REPORT 2019**

The Committee gave consideration to a report which advised them of the performance of the Treasury Management function of the Council for the first half of 2019/20 and provided a comparison of performance against the 2019/20 Treasury Management Strategy and Prudential Indicators.

The Committee was informed that the Council was required to consider the performance of the Treasury Management function in order to comply with the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised 2017). The report set out the key Treasury Management issues for information and review, and outlined:

- An economic update for the first six months of 2019/20;
- A review of the Treasury Management Strategy Statement and Annual Investment Strategy;
- The Council's capital expenditure, as set out in the Capital Strategy, and prudential indicators);
- A review of the Council's investment portfolio for 2019/20;
- A review of the Council's borrowing strategy for 2019/20;
- Why there had been no debt rescheduling undertaken during 2019/20; and
- A review of compliance with Treasury and Prudential Limits for 2019/20.

The report was presented to the Audit Committee to enable it to have the opportunity to review the 2019/20 Mid-Year Review report. It was noted that, due to the timing of the meetings, the Cabinet agenda had been issued before the Audit Committee had the opportunity to consider the report. The Cabinet would be advised of any comments that the Committee had and any such comments would be incorporated into the report presented to the Council meeting on 8th January 2020.

Members noted the significant changes in the profile of the capital programme and in relation to borrowing. The Council's investments were constantly monitored to ensure they were providing the best return and performance in this area was currently ahead of target.

Members asked for and received clarification as to why the figures in relation to capital expenditure by service had changed. They were informed that this was due to the re-alignment of services and the overall figure had reduced, as schemes had been re-profiled.

RESOLVED that the content of the Treasury Management Mid-Year Review 2019/20 be noted and the report be commended to the Cabinet.

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EXTERNAL AUDIT PROGRESS REPORT

The Committee considered a report of the External Auditors which provided an update on progress in delivering their responsibilities for 2019/20.

The report included key information that the external auditors wished to bring to the attention of the Committee and provided an update on progress in delivering their responsibilities as the external auditor.

The External Auditor highlighted to the Committee recent publications, especially the consultation in regard to the New Code of Audit Practice. The Committee noted the National Publications available.

RESOLVED that the content of the report be noted.

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UPDATE ON AUDIT MATTERS

The Committee gave consideration to a report which set out an update on the following:

- a) The exercise to recruit an Independent Chair to the Audit Committee.
- b) Progress on the preparation of a Tender for one provider for External Audit services for Housing Benefit Subsidy, Teachers Pension Agency, Unity Partnership Ltd and MioCare Group CIC.
- c) Proposed training for the Audit Committee.

The recruitment exercise for an Independent Chair of the Audit Committee using the local Council website for advertising vacancies for the second time had not attracted a suitable shortlist. It was planned to undertake a further recruitment exercise using alternative, cost effective, routes to market to see if it was possible to recruit an Independent Chair. The Committee noted there may be an opportunity to work with CIPFA.

Members were informed that, in addition to Mazars that provide External Audit Services for the Council (procured under national arrangements), there were three separate suppliers providing External Audit services to the 100% Council owned companies (Unity Partnership Ltd and MioCare Group CIC) and in relation to specific areas where certification of expenditure is required (Housing Benefit Subsidy and Teachers Pension Agency). It was explained it would be more efficient to align the financial reporting years (MioCare currently operates to a different financial year) and have one provider for the three audit services that are locally procured. The tender specification had been prepared and it was anticipated tenders would be invited before the end of the month.

The Chartered Institute of Public Finance and Accountancy had been approached to provide some training to Members. It was proposed this training be held at the start of the meeting set for 20th January 2020.

RESOLVED that:

- a) the revised approach to recruit an Independent Chair be noted;
- b) the progress made to appoint one External Auditor for wholly owned companies and to certify Housing Benefit Subsidy and Teachers Pension Agency Expenditure be noted; and
- c) the proposed training for this Committee at the January 2020 meeting be agreed.

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AUDIT AND COUNTER FRAUD PROGRESS REPORT

Consideration was given to a quarterly progress report up to the 31 October 2019 from the Head of Corporate Governance and the report back to the Committee on the matters required by the Code of Practice for Internal Audit.

The report summarised the performance by the Audit and Counter Fraud Team for the first seven months of 2019/20 and the key performance highlights.

Members noted the work of the team was measured by the Corporate Performance Indicator M340, which was the Council's target that was: "*15% of Internal Audit Opinions resulting in Weak, Inadequate Opinions or Limited Assurance to be less than/equal to Adequate*". The results for Quarter 1 and Quarter 2 of 15%, were recorded in CorVu and were on target.

Other Audit and Counter Fraud Team highlights included:

- Significant assurance and advisory work had been delivered by the Internal Audit Team to colleagues, including those managing the People Programme and the implementation of the ICT solution to reflect the potential issues with the system, and for the business redesign of the Health and Adults Social Care service.

- Successful recruitment had been undertaken to the vacant posts in the wider Audit and Counter Fraud Team; however, the days in the 2019/20 Plan had been reduced by 98 days to reflect team vacancies.
- The Counter Fraud and Direct Payments Audit Teams had delivered outcomes which had generated £0.172m and £1.177m (respectively) during the first 7 months of the year to 31 October 2019; totalling £1.349m.
- The Team was collaborating with colleagues to procure and implement a cost-effective solution to the Audit Management System, to ensure an appropriate mix of external and internal resources to achieve value for money.

The team was on track to deliver results for the agreed performance indicators, in line with its annual targets.

Members asked for and received clarification on the triggers for prosecution and why there were larger numbers of offenders in some areas.

RESOLVED that the 2019/20 Progress Report up to 31 October 2019 by the Head of Corporate Governance be noted.

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RISK MANAGEMENT STRATEGY AND FRAMEWORK

Consideration was given to a report which proposed a refreshed Risk Management Strategy and Framework.

The Committee was informed that the Council produced a Corporate Risk Management Strategy and Framework, which was subject to regular review.

It was proposed that the existing Risk Management Policy be replaced with two separate documents i.e. Risk Management Strategy and a Risk Management Framework. The proposed Risk Management Strategy was a high level document that set out the Council's strategic approach to risk management. The proposed Risk Management Framework provided the detailed approach to risk management, including the risk matrix and risk appetite tables for measuring the level of risk and ensuring that risks were managed within the Council's risk appetite.

The refreshed Risk Management Strategy and Framework was presented for review. Members noted that the matrix was now simpler, with fewer options and clear parameters.

Members asked for and received clarification that the proposed Risk Strategy and Framework was in line with that operation in other Local Authorities.

RESOLVED that the refreshed Risk Management Strategy and Framework be noted and commended to Cabinet for approval

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EXCLUSION OF PRESS AND PUBLIC

RESOLVED that, in accordance with Section 100A(4) of the Local Government Act 1972, the press and public be excluded from the meeting for the following items of business on the grounds that they contain exempt information under paragraph 3 of Part 1 of Schedule 12A of the Act, and it would not, on balance, be in the public interest to disclose the reports.



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FOLLOW UP ON ANNUAL GOVERNANCE STATEMENT FOR 2018/19 AND NEW ISSUES ON GOVERNANCE IN 2019/20

The Committee received a report presenting actions taken in the financial year to mitigate risks associated with the issues reported in the 2018/19 Annual Governance Statement and opinions on the current position in each case, and new issues that may need to be considered for inclusion in the 2019/20 Annual Governance Statement. Members further received briefings on matters related to litigation and internal governance which it was considered were appropriate to bring to the attention of the Committee.

RESOLVED that the content of the report and additional briefings be noted.

The meeting started at 6.00 pm and ended at 7.45 pm