

AUDIT COMMITTEE

Minutes of the meeting held on 11 June 2013 commencing at 7.00 pm

Present: Cllr. Grint (Chairman)

Cllrs. Mrs. Bayley, Ms. Chetram, Mrs. Cook, McGarvey, Orridge, Mrs. Purves and Towell

Apologies for absence were received from Cllr. Fittock

Cllrs. Ramsay and Mrs. Sargeant were also present.

1. Declarations of Interest

There were no additional declarations of interest.

2. Responses of the Council, Cabinet or Council Committees to the Audit Committee's reports and/or recommendations (if any)

There were no responses from the Council, Cabinet or Council Committees.

3. Presentation on the role of the Audit Committee

The Audit, Risk and Anti-Fraud Manager provided the Committee with a brief presentation on the role and scope of the Audit Committee. The presentation is available on the Council's website at:

<http://cds.sevenoaks.gov.uk/ieListDocuments.aspx?CId=288&MIId=1609>

In response to a question, the Audit, Risk and Anti-Fraud Manager explained that a 'controlled environment' referred to the systems and controls in place designed by management which contributes towards the overall attitude, awareness and actions of management to ensure probity, value for money and good financial management.

4. Grant Thornton Update

The Committee received an update from representatives from the Council's external auditor, Grant Thornton. The Committee considered a document that explained the approach that Grant Thornton would be taking as they completed the external audit of 2012/13.

Mr Andy Mack, Mr Geoffrey Bannister and Ms Lauren Masoud, representatives from Grant Thornton, attended the meeting to present the Audit Plan and the Planned Audit Fee for 2013/14. Members heard that the Audit Plan gave an opinion on the accounts as well as giving a conclusion on value for money. Grant Thornton were also responsible for conducting audits on major grant claims, the biggest being Housing Benefits.

The fee letter for 2013/14 proposed that the audit fee be maintained at the same level as 2012/13. This reflected that Sevenoaks District Council was considered to be at the lower end of risk.

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In response to a question regarding the definition of a “Whole of Government accounts pack”, the District Auditor explained that a summary of the District Council’s accounts were returned to government and the Whole of Government accounts pack was produced from these summaries.

The Chairman noted that the District Auditors would be attending Audit Committee meetings throughout the year. At the start of the September meeting Members would be meeting with the District Auditors without Officers present.

A Member reported that she would welcome hearing more about planning for the impact of 2013/14 changes to the Local Government Pensions scheme (LGPS). The Chairman agreed that this should be added to the work plan for a future meeting.

Action 1: The Group Manager – Financial Services to investigate whether planning for the impact of 2013/14 changes to the Local Government Pensions scheme (LGPS) should be added to the work plan for a future meeting or reported to the Finance & Resources Advisory Committee.

Resolved: That the report be noted.

5. Housing and Council Tax Benefit Grant - External Audit

The Group Manager Financial Services introduced a report setting out the outcomes of an external audit of the Housing and Council Tax Benefit Grant. The audit of the Housing Benefits claim was amended and qualified and additional testing was required due to the errors found. The Benefits Service had received a 95% increase in the number of customer contacts between April 2011 and April 2013 largely due to the economic climate.

The Chairman noted that the audit fee had increased from £24,406 in 2010/11 to £51,662 in 2011/12 and questioned the reasons for the increase. In response, the Committee heard that the increase was a result of the additional testing that the District Auditor was required to conduct. The District Auditor explained that the Department for Work and Pensions (DWP) stipulated a high degree of accuracy and this meant that claims that were incorrect by a little as 1p were classified as errors and additional testing was required on a larger sample. The error rate found when completing the 2011/12 audit was higher than in previous years and this resulted in extra work and a higher audit fee. This year testing had started earlier and issues were being identified at an earlier stage and referred back to the Service for resolution. Other actions being taken included extra training and quality assurance measures.

The Chairman noted that the Benefits Service was a new joint venture with Dartford Borough Council and that there were likely to be teething difficulties in any new venture. The District Auditor reported that Grant Thornton were also the external auditors for Dartford Borough Council and they now ran an integrated audit approach for the Benefit Service between Dartford Borough Council and Sevenoaks District Council. As a result of the actions that had been taken the Auditors expected to see some improvement but did not expect the service to be completely error free within a year.

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The Chairman also noted that the costs of the joint Benefits Service was under review. The Group Manager Financial Services reported that Sevenoaks District Council had been in negotiation with Dartford Borough Council and as Dartford's share of benefit claims had increased they had agreed to increase their level of funding. The funding shares would continue to be negotiated in the future.

Resolved: that the report be noted.

6. Investigations Team Annual Report

The Anti-Fraud Team Manager introduced the report which set out details of the activities of the Anti-Fraud Team during 2012/13 and the Team's work plan for 2013/14. The report also contained the Anti-Fraud Sanctions and Prosecutions Policy which had been updated to take account of changes resulting from welfare reforms.

The Anti-Fraud Team Manager outlined the five key areas of the report:

- Benefit Fraud;
- Council Tax Single Person Discount Awards;
- Single Fraud Investigative Service;
- Priorities for 2013/14; and
- Anti-Fraud, Sanctions and Prosecutions Policy.

A Member noted that there were no targets for money recovered from identifying benefit fraud and questioned whether a cost/benefit analysis had ever been undertaken. In response, the Anti-Fraud Manager reported that jurisdiction for recovering overpayments fell within the Revenue Service. This meant that the Anti-Fraud Team investigated instances of suspected fraud and once action had been taken the case was handed back to the Revenues Service for recovery of the overpayment. There were in fact two different issues, the criminal issue of the fraud and the civil debt issue surrounding recover of any overpayments.

The Chairman also noted that recovery of overpayments was a slow process as there were limits on how quickly overpayments could be recovered.

Members noted that one of the benefits of pursuing prosecutions for any fraud was that the publicity could act as a deterrent.

Resolved: that

- (a) The content of the report and the work of the Anti-Fraud Team carried out in 2012/13 and that proposed for 2013/14 be noted; and
- (b) The updated Anti-Fraud Sanctions and Prosecution Policy be agreed.

7. New Public Sector Internal Audit Standards

The Audit, Risk and Anti-Fraud Manager introduced a report which provided a summary of the new Public Sector Internal Audit Standards which came into effect on 1 April 2013. The report sets out the key changes which would affect the arrangements for Internal Audit going forward. The new standards had been developed by the standards setters from the mandatory elements of Institute of Internal Auditors (IIA) International

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Professional Practices Framework (IPPF). The standards are intended to promote further improvement in the professionalism, quality, consistency, and effectiveness of internal audit across the public sector. The standards setters are the Chartered Institute of Public Finance and Accountancy (CIPFA), HM Treasury, the Chartered Institute of Internal Auditors, The NHS, amongst other bodies.

The key objectives of the standards are as follows :

- To define the nature of internal auditing within the UK public sector;
- To set basic principles for carrying out internal audit in the UK public sector;
- To establish a framework for providing internal audit services which add value to the organisation, leading to improved organisational processes and openness; and
- To establish the basis for the evaluation of internal audit performance and to drive improvement planning.

The report sets out the key mandatory elements of the standards. These impacts on:

- Development of an Internal Audit Charter
- Quality Assurance, in the form of annual internal quality assessments and external quality assessments every five years
- Effective communication between the “Chief Audit Executive” and the audit committee, in particular, with the Chair of the Audit Committee.

Relevant guidance for implementing the new standards is being produced by the relevant professional body CIPFA, in consultation with others. Once this guidance is available, it would be used to inform proposals by management for taking forward the requirements of the standards. Committee members would be informed and consulted regarding these proposals in due course.

The Chairman encouraged Members of the Committee to read the Public Sector Internal Audit Standards as this set the standards that would guide the Committee in its work.

Resolved: That the Public Sector Internal Audit Standards be noted.

8. Annual Review on the Effectiveness of Internal Audit 2012/13

The Audit, Risk and Anti-Fraud Manager introduced a report setting out the outcome of the annual self-assessment of the Council’s internal audit function. Regulation 6.3 of the Accounts and Audit Regulations 2011 required the Council to carry out an annual review of the effectiveness of its internal audit function. The review was conducted using the Chartered Institute of Public Finance and Accountancy (CIPFA) guidance and standard template. The outcome of the review would feed into the Annual Governance Statement process which would be reported to the September meeting of the Audit Committee and also informed the Audit Manager’s Annual Internal Audit Report.

The Audit, Risk and Anti-Fraud Manager explained that the template matrix is set out in three sections; the left hand side sets out the Code Standard in compliance with the CIPFA standard, the middle section sets out the evidence available to meet the standards and the left hand side sets out any areas for further development by the team. The conclusion following the self-assessment is that the Internal Audit Team substantially meets the CIPFA Code Standards and therefore was effective during the period.

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The self-assessment by the Audit, Risk and Anti-Fraud Manager was reviewed by Management Team on 29 May 2013; and is required to be signed by the Chair of the Audit Committee after the committee's consideration of this report.

In response to a question from the Chairman, the Audit, Risk and Anti-Fraud Manager reported that many areas for further development addressed the new standards and work was currently underway on other areas of further development.

Resolved: That the Annual Self-Assessment Review of the Effectiveness of Internal Audit Service 2012/13 be approved.

9. Internal Audit Annual Report 2012/13

The Audit, Risk and Anti-Fraud Manager introduced the Annual Internal Audit report which sets out the achievements of the Internal Audit Team in delivering the assurance requirements for the period April 2012 to March 2013. The report was prepared in compliance with the Accounts and Audit Regulations 2011, and professional guidance from CIPFA, as well as taking account of the outcome of the review of the effectiveness of the Internal Audit function.

Members noted that the definitions of the audit opinions were outlined at the end of the report.

The Chairman suggested that where an audit opinion was 'adequate', the Committee should review the full audit report in greater depth. In light of this Members agreed that the Committee should review the Procurement and IT Implementation reports in greater detail.

The Chairman also suggested that it may be helpful to establish small working groups to review specific issues in greater detail going forward.

A Member also suggested that the Committee should also review contract management.

Action 2: That a review of audits with an opinion of adequate or below be scheduled in the work plan for a future meeting.

It was agreed that outside the meeting the Chairman should liaise with Officers to discuss a timetable for conducting reviews and establishing working groups.

The Committee noted that the overall assurance opinion was that Sevenoaks District Council's system of internal control, risk management, governance and anti-fraud arrangements contributed effectively to the proper, economic, efficient and effective use of resources in achieving the Council's objectives. The Audit, Risk and Anti-Fraud Manager read the overall assurance opinion in full.

Resolved: That

- (a) The work of the Internal Audit Team for 2012/13 be approved; and
- (b) The Audit Manager's Annual Assurance Opinion that the Council had effective internal controls and governance arrangements in place for delivering its objectives and the management of its business risks be supported.

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10. Risk Management Report

The Audit, Risk and Anti-Fraud Manager introduced a report setting out details of progress made in delivering the Council's risk management strategy and framework. The report indicated that the revised framework for operational risk is already in place and is being implemented. The framework for strategic risk is being finalised and is expect to be completed shortly. The Committee noted that a more detailed report would be presented to the Committee later in the year once the risk management strategy had been reviewed. The review of the existing arrangements would be undertaken against the new ALARM (Association of Local Authority Risk Management) Risk Management toolkit which the Council had recently acquired. Members noted that the "risk on a page" diagram set out the risk management framework in a summarised form.

The Chairman highlighted that one particular risk within the new officer structure was the absence of the new Chief Executive for an extended period as there was no defined deputy to provide cover which could leave the Council exposed to significant risk. The Group Manager Financial Services reported that this issue had been identified and assessed and a suitable solution would be implemented.

Resolved: That the report be noted.

11. Work Plan

Members noted the work plan for the year. The Chairman noted that the Statement of Accounts would be considered by the Committee in September. As the Statement of Accounts was very detailed, the Chairman suggested that a small working group should be established to review the draft during July.

It was agreed that the following Members would form the working group:

Cllr Grint, Cllr Fittock, Cllr Mrs Bayley, Cllr Mrs Cook and Cllr Ramsay.

The Committee agreed that the working group should have the authority to recommend changes to the Statement of Accounts, ensuring that they still adhere to the statutory regulations, and would report to the September Audit Committee.

Resolved: That a working group be established to review the draft Statement of Accounts in July 2013 and that the working group have authority to recommend changes to the statement of accounts, ensuring that they still adhere to the statutory regulations, and report to the September Audit Committee. The working group to be composed of the following members: Cllr Grint, Cllr Fittock, Cllr Mrs Bayley, Cllr Mrs Cook and Cllr Ramsay.

EXEMPT INFORMATION

(At the time of preparing this agenda, there were no exempt items. During any such items which may arise, the meeting is likely NOT to be open to the public.)

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THE MEETING WAS CONCLUDED AT 8.55 PM

CHAIRMAN