

AUDIT COMMITTEE

Minutes of the meeting held on 23 June 2015 commencing at 7.00 pm

Present: Cllr. Grint (Chairman)

Cllr. Brookbank

Cllrs. Dyball, Layland, Purves and Reay

Apologies for absence were received from Cllrs. Clack and Edwards-Winser

Cllrs. Searles and Eyre were also present.

1. Minutes

Resolved: That the minutes of the Committee held on 17 March 2015 be agreed and signed as a correct record.

2. Declarations of Interest

There were no additional declarations of interest.

3. Actions from Previous Meeting

The completed action was noted. The Chairman confirmed there were no plans to call in managers to meetings for the moment but the Committee reserved the right if the need arose.

4. Responses of the Council, Cabinet or Council Committees to the Committee's reports or recommendations

There were none.

5. Overview of the Audit Committee

The Chief Finance Officer presented a report which outlined the purposes and terms of reference for the Audit Committee. The report gave an overview of the matters considered by the Committee over the previous two years.

The Chairman encouraged Members to bring their range of skills to the Committee and to ask questions.

Action 1: References to the Audit Commission in the Audit Committee terms of reference to be updated to Public Sector Audit Appointments.

Resolved: That the purpose and remit of the Audit Committee be noted.

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6. External Audit - Annual Audit Plan and Update

The Committee welcomed Andy Mack, the Engagement Lead and Geoffrey Banister, the Engagement Manager from the Council's External Auditors, Grant Thornton to the meeting. The representatives of Grant Thornton tabled [an Introduction to External Audit](#) and explained to the Committee the role of external auditors including who Grant Thornton were, what they did as external auditors, how they worked with the Council, what they felt made a good Audit Committee and what work was expected to come to the Committee soon.

The representatives of Grant Thornton advised that a fee reduction of 25% was expected next year. When the Audit Commission was finally wound up it was expected they would have reserves which may also allow for a rebate. Although Grant Thornton sought to reduce fees their intent was to maintain their standards of quality.

A Member asked how satisfaction with the external auditors could be measured. Mr. Mack responded that Grant Thornton was reviewed by Public Sector Audit Appointments and reports of the Financial Reporting Council inspectors. Grant Thornton were willing to come to an agreed list of specific expectations the Council may have from them. The Chairman added that Members of the Committee also completed a questionnaire at the end of each year which included questions about their satisfaction with the external auditors.

Action 2: The Chief Finance Officer to look at expectations the Council may have for external auditors and whether such a report can be brought to a future meeting.

Mr. Mack presented the Audit Plan to the Committee, which highlighted the key elements of their 2014/15 external audit strategy for the Council. This included their audit approach, significant and other risks identified and their role in assessing Value for Money.

Public Sector Equality Duty

Members noted that consideration had been given to impacts under the Public Sector Equality Duty.

Resolved: That the Audit Plan 2014/15 and update from Grant Thornton be noted.

7. Anti-Fraud Team Report 2014/15

The Anti-Fraud Manager presented a report setting out the activities of the Anti-Fraud Team during 2014/15 and details of a proposed re-structure of the Team in February 2016. Members also reviewed the Anti-Fraud, Sanctions and Prosecution Policy, which had been updated to take account of a change in, and align with, the Department for Work & Pensions' Sanctions Policy.

Responding to Members' questions, the Anti-Fraud Manager confirmed that the Team's current role was predominantly as a Housing Benefit anti-fraud team and the past year had seen the highest levels of detected fraud since the shared service had begun,

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particularly due to a new real-time HMRC data matching service. From February 2016 and the creation of the Single Fraud Investigation Service (S-FIS) the Team would no longer have responsibility for dealing with Housing Benefit fraud. The Team was seeking to broaden into a Corporate Fraud Team and pick up those areas not covered by the S-FIS. The Anti-Fraud Manager drew Members' attention to the Cost Benefit Analysis 2014/15 which showed a net financial benefit to the council and anticipated that the new team would also benefit the council. The Team would reduce by 1.0 FTE following the restructure.

The Chairman expressed an interest in the Committee considering an update on the Team in February 2016 following the introduction of S-FIS.

Public Sector Equality Duty

Members noted that consideration had been given to impacts under the Public Sector Equality Duty.

Resolved: That

- a) the report and the work of the Anti-Fraud Team carried out in 2014/15 and the proposed re-structure of fraud investigation resources in February 2016 be noted; and
- b) it be recommended to Cabinet to approve the Anti-Fraud, Sanctions and Prosecution Policy.

8. The Role of Internal Audit

The Committee received a [presentation](#) from the Audit, Risk and Anti-Fraud Manager on the role of Internal Audit.

The Chairman clarified that the work plan for Internal Audit was approved at the end of each year and Members can then suggest areas of potential interest or concern for future focus.

9. Internal Review of Effectiveness of Internal Audit

The Audit, Risk and Anti-Fraud Manager presented a report detailing the outcome of the annual self-assessment review of the Council's Internal Audit function. He had carried out the self-assessment using the CIPFA toolkit and was the second report to be produced in accordance with the new Public Sector Internal Audit Standards (PSIAS). The Accounts and Audit Regulations 2011 required the Council to carry out an annual review of the effectiveness of its Internal Audit Function. The results from the process would also feed into the Internal Audit Manager's Annual Report and the Council's Annual Governance Statement.

The results indicated that the Council's Internal Audit arrangements substantially met the new Code Standards however, some areas for further development had been identified to meet full compliance. The key aspects for further development, set out in a separate action plan, were presented by the Chief Finance Officer as part of the report on the external review by PwC (Minute 10). The Audit, Risk and Anti-Fraud Manager noted the

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review was carried out while there were two vacancies in the Team, which had subsequently been filled by temporary staff.

The Chairman considered it a thorough assessment.

Public Sector Equality Duty

Members noted that consideration had been given to impacts under the Public Sector Equality Duty.

Resolved: That the conclusion of the Annual Self-Assessment Review of the Effectiveness of Internal Audit Service 2014/15 against the Public Sector Internal Audit Standards, that the Council had an adequate and effective Internal Audit service which contributes towards the proper, economic and effective use of resources in achieving its objective be supported.

10. External Review of Internal Audit

The Chief Finance Officer presented a report which was the outcome of the external review of Internal Audit by PwC, together with an action plan to address the points raised. The purpose of the review was not only to ensure that the Internal Audit Team were compliant with the new Public Sector Internal Audit Standards (PSIAS) but was also to provide assurance that the Internal Audit Service was adding more value to the Council in strengthening internal controls, risk management and governance processes and that it made appropriate recommendations through audit reviews to improve both the internal control framework and the achievement of value for money.

The outcome of the review showed that the PSIAS were largely complied with and suggested ways for the service to move forward. The Action Plan had been agreed by the Dartford Borough Council and Sevenoaks District Council Partnership Board and the Management Team at each authority.

The Audit, Risk and Anti-Fraud Manager highlighted that the Team accepted it could make better use of IT resources and so new software had been approved in principle, pending a sound business case, and initially two or three staff were receiving training. In response to a question he advised that ISO 9002 accreditation was being dropped because of the cost burden in achieving accreditation, though the Team still intended to maintain those standards.

The Chairman noted that the report appeared more thorough than he was expecting. Mr. Mack from Grant Thornton said the Council should continue to respond to the report and he suggested a follow-up report be carried out in six to nine months for validation of the completed actions. The Chairman asked that Officers seriously consider this suggestion.

Public Sector Equality Duty

Members noted that consideration had been given to impacts under the Public Sector Equality Duty.

Resolved: That:

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- a) The Action Plan, attached to the report at Appendix B, be approved; and
- b) Further updates be provided to the Committee at future meetings.

11. Internal Audit Annual Report 2014/15

The Audit, Risk and Anti-Fraud Manager presented a report which set out the achievements of the Internal Audit Team in delivering the assurance requirements for the period April 2014 to March 2015. In 2014/15 the Team completed 17 reviews, equivalent to 100% of the revised internal audit plan. The report advised that the Team had performed well within its available resources and had met the objectives of providing an adequate and effective internal audit and control framework for the Council during the year.

Members were directed to the full Overall Assurance Opinion. Based on the work completed in 2014/15 and other sources of assurance available to the team, the Audit, Risk and Anti-Fraud Manager's overall assurance opinion was that the Council's control environment contributed effectively to the proper, economic, efficient and effective use of resources in achieving the Council's objectives. The control environment was designed to manage risks to a reasonable level rather than to eliminate all risks and so it could provide only reasonable and not absolute assurance of effectiveness.

Public Sector Equality Duty

Members noted that consideration had been given to impacts under the Public Sector Equality Duty.

Resolved: That:

- a) The work of the Internal Audit Team in 2014/15 be noted; and
- b) The Audit Manager's Annual Assurance opinion that the Council has effective internal controls, risk management and governance arrangements in place for delivering its objectives and the management of its business risk, be supported.

12. Annual Governance Statement 2014/15

The Chief Finance Officer presented the Annual Governance Statement (AGS) which he advised was an important corporate document which explained the Council's governance arrangements and controls it employed to manage the risk of failure to achieve strategic objectives. The Council was responsible for ensuring that its business was conducted in accordance with the law, proper standards, good governance and that public money was safeguarded and properly accounted for. The document was owned by all Senior Officers and Members of the Council.

The Chief Executive, Chief Officers and Managers were involved in the process and completed a detailed questionnaire to raise any issues that could be included in the AGS. The Internal Audit Team also analysed the previous years AGS and minutes of various meetings held during the year to ensure that everything was included.

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The process confirmed that the Council had sound systems of internal controls and good governance arrangements in place. A significant governance issue had been included in that the Health and Safety Executive had initiated two charges against the Council under the Health and Safety at Work, etc. Act 1974 following a fatal accident on 13 September 2010.

Public Sector Equality Duty

Members noted that consideration had been given to impacts under the Public Sector Equality Duty.

Resolved: that the Annual Governance Statement for 2014/15, which accompanies the Council's Accounts be agreed for signature by the Leader of the Council.

13. Statement of Accounts 2014/15 - Establishment of Member Working Group

Members considered setting up a working group to review the 2014/15 Draft Statement of Accounts. The working group would have the authority to recommend changes whilst ensuring that the accounts still adhered to the statutory regulations. The Chairman explained that the working group would be able to consider the document in detail and could report back to the Audit Committee when they considered them in September 2015.

The Chairman encouraged the working group to help increase understanding of the accounts, which can appear opaque. The representatives from Grant Thornton suggested that Members might want to pay particular attention to the presentation of information in the explanatory notes and the foreword to the Accounts.

Public Sector Equality Duty

Members noted that consideration had been given to impacts under the Public Sector Equality Duty.

Resolved: That

- a) a Member Working Group be set up to review the 2014/15 Draft Statement of Accounts; and
- b) the membership consist of Cllrs. Grint, Layland and Reay with the Portfolio Holder for Finance, Cllr. Searles, invited to attend.

14. Work Plan

The work plan was noted. An update on the Anti-Fraud Team would be added to the work plan for January 2016.

THE MEETING WAS CONCLUDED AT 8.45 PM

CHAIRMAN