

## **AUDIT COMMITTEE**

Minutes of the meeting held on 15 March 2016 commencing at 7.00 pm

Present: Cllr. Grint (Chairman)

Cllr. Brookbank (Vice Chairman)

Cllrs. Clack, Dyball, Edwards-Winsor, Layland, McArthur and Purves

An apology for absence was received from Cllr. Reay

### 38. Minutes

Resolved: That the minutes of the Committee held on 8 September 2015 be agreed and signed as a correct record.

### 39. Declarations of Interest

There were no additional declarations of interest.

### 40. Actions from Previous Meeting

There were none.

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

There were none.

### 42. Internal Audit 2015/16 - 3rd Progress Report

The Chief Finance Officer presented a report which set out progress of the Internal Audit Team in delivering the Council's assurance requirements for 2015/16 and provided a summary of final reports issued since the meeting of the Audit Committee in January 2016. Of the two final reports issued since the last meeting, one had a Satisfactory opinion for its framework and Good for its controls and the other had Good opinions for both aspects.

Members discussed the role of the Committee in considering Internal Audit reports. Officers confirmed that full reports were available upon request. Members requested copies of the most recent reports to become familiar with the approach taken by Officers. The Chairman explained that Members were not expected to be familiar with the Council's internal procedures, but had to be satisfied with the Council's overall control framework. The quality of the Internal Audit Team was assessed by an external review of their processes.

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*Action 1: The Audit, Risk & Anti-Fraud Manager to circulate the final audit reports on Organisational Effectiveness & HR Strategy 2015/16 and Payroll 2015/16 to Members of the Committee.*

In response to a question, the Chief Finance Officer advised that amendments proposed to the Opinions and Priority Ranking of recommendations would make the highest levels of opinion more achievable.

Noting that the Audit, Risk & Anti-Fraud Manager had been unable to attend the meeting, the Committee requested that further details be provided regarding the summaries of the Internal Audit reports.

*Action 2: The Audit, Risk & Anti-Fraud Manager to provide further details concerning the staff survey and key HR policies referred to in the summaries of the Internal Audit reports.*

### Public Sector Equality Duty

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

Resolved: That Members note the contents of the report and progress made by the Internal Audit Team in delivering the 2015/16 Annual Internal Audit Plan.

### 43. Annual Internal Audit Plan 2016/17

The Chief Finance Officer presented the report which incorporated the Annual Internal Audit Plan and Programmed Reviews for 2016/17. The objective of the plan was to ensure that Internal Audit delivered reasonable assurance to the Council regarding the effectiveness of internal control, governance and risk management processes, in fulfilment of the Council's statutory responsibilities. The plan had been prepared in accordance with professional guidance, including the new Public Sector Internal Audit Standards 2013 and regulatory requirements, in particular the Accounts and Audit Regulations 2015. The Committee was required by its terms of reference, to approve the Annual Internal Audit Plan prior to its implementation.

The Committee agreed that the proposed audit of Planning Applications and Appeals was of high importance and should be prioritised earlier in the year, because of the implications on future planning matters.

In response to a question, the Chief Finance Officer clarified that the proposed reviews all related to medium or high risk areas as these were prioritised within the Team's resources. All Chief Officers had been asked to contribute to identify the areas of greatest risk.

The Committee agreed that further questions needed to be directed to the Audit, Risk & Anti-Fraud Manager who had been unable to attend the meeting and so a report on the Plan should also be considered at the next meeting of the Committee.

### Public Sector Equality Duty

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

Resolved: That

- a) the Draft Internal Audit Plan for 2016/17 be approved; and
- b) a further report on the Annual Internal Audit Plan 2016/17 be brought to the meeting of the Committee on 30 July 2016.

### 44. Internal Audit Strategy 2016/17

The Chief Finance Officer presented the report which explained that the Internal Audit Strategy was a high level document which set out how internal audit resources would be allocated to deliver stakeholder expectations and regulatory assurance. The existing strategy was last approved in 2006 and was no longer fit for purpose. The new strategy had been developed to address changing needs of the organisation and would facilitate greater engagement with key stakeholders in delivering added value assurance for the Council. The Strategy would also provide a simplified opinions framework.

The Chief Finance Officer explained that the Public Sector Internal Audit Standards (PSIAS) review noted the document had not been recently revised. The Committee agreed that further questions needed to be directed to the Audit, Risk & Anti-Fraud Manager before the item could be considered further.

Members indicated that a glossary would be helpful within the Strategy.

### Public Sector Equality Duty

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

Resolved: That consideration of the report and of the Internal Audit Strategy 2016/17 be deferred to a future meeting of the Committee, with a preference for 30 June 2016.

### 45. External Review of Internal Audit - Update

The Chief Finance Officer presented a report which explained that the PSIASs provided a comprehensive and consistent framework for internal audit across the UK public sector. The standards required an external quality assessment at least every 5 years. A review of the Council's Internal Audit Team was carried out in 2015 by PwC. The purpose of the review was to ensure the Team was compliant with the standards, was effective at strengthening internal control, risk management and governance processes within the Council and made appropriate recommendations. The Action Plan highlighted that significant progress had been made to date but that some actions would take time to embed before they made a significant difference to the quality of the service provided by the Team.

He explained that key developments within the Team since the external review had been appointments to the vacant posts and that a Development Workshop for the Team had

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been held in December 2015 which focussed of new ways of working to deliver added value.

### Public Sector Equality Duty

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

Resolved: That Members note the progress made against the Action Plan and continue to receive updates at future meetings.

### 46. External Auditor Relationship and Future Appointments

The Chief Finance Officer presented a report which explained that at its last meeting the Committee requested that the Council's relationship with its external auditors, Grant Thornton, be considered. The report explained that Grant Thornton were appointed as the Council's external auditors from 1 November 2012 and would carry out an audit of the accounts, a Value for Money assessment, the Whole of Government Accounts and certification of the Housing Benefit Grant claim. Officers met Grant Thornton regularly to plan work and discuss issues. A good relationship had been built over the 3 years.

The report also provided information on the future appointment of the Council's next external auditors. The contract would come to an end on 31 March 2018 from when the Council could appoint a new external auditor. Under the Local Audit and Accountability Act 2014 the Council could make a stand-alone appointment through an Auditor Panel, set up a Joint Auditor Panel or opt into a Sector Led Body (SLB), which could negotiate a contract. The Local Government Association had asked for expressions of interest by 30 April 2016 in establishing a SLB but this would not be binding.

In response to questions, the Chief Finance Officer explained that Auditor Panels would likely be more expensive than current appointment processes. The Local Government Association may arrange appointments on a regional basis. Further information would be provided to the Committee once available.

Members discussed the Council's relationship with Grant Thornton. The Chief Finance Officer explained that the Council's fees were among the lowest as fees were set on the level of work historically required. The relationship with the auditors had been a significant issue and although Andy Mack, the Engagement Lead, was leaving Sarah Ironmonger would replace him. The Chairman considered the relationship with Grant Thornton to be strong and healthy and hoped that would continue for the next 2 years.

### Public Sector Equality Duty

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

Resolved: That

- a) Members note the future implications for external audit procurement arrangements; and

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- b) Officers express interest in working with the Local Government Association as a Sector Led Body for the future appointment of external auditors.

### 47. Annual Self-Assessment Review of the Effectiveness of the Audit Committee 2015/16

The Chief Finance Officer presented a report which put forward proposals for assessing the achievements for the Audit Committee for the year 2015/16, its third full year of operation. It explained that governance arrangements for Councils issued by CIPFA in compliance with the Accounts and Audit Regulations 2015 required that the Committee be assessed annually to determine its effectiveness and identify areas for further development. The process incorporated the recommended self-assessment checklist taken from the CIPFA guide "Audit Committees – Practical Guidance for Local Authorities" and had been amended where necessary to reflect local needs or customs. To facilitate and expedite the process, the checklist had been completed as far as possible drawing from the work of the Committee, in relation to its terms of reference, using the evidence available from the work of the Committee during 2015/16.

The outcome of the review indicated that the Audit Committee substantially met the requirements of the existing CIPFA code and was therefore making a valuable contribution towards effective governance, good internal controls and the management of business risk within the Council.

Members discussed whether additional training for the Committee would have been helpful, particularly before the first meeting of the Committee. They noted the Committee did not consider the same items at each meeting and that they felt unable to contribute so much at earlier meetings.

The Chairman considered that the issues raised in the report required further discussion when the Audit, Risk & Anti-Fraud Manager was present.

### Public Sector Equality Duty

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

Resolved: That

- a) The Annual Self-Assessment Review of the Effectiveness of the Audit Committee 2015/16 be noted;
- b) Approval be deferred until a future meeting of the Committee when the Audit, Risk & Anti-Fraud Manager is present.

### 48. Draft Audit Committee Annual Report 2015/16

The Committee considered the Chairman's annual report for consideration at the Council meeting on 26 April 2016.

Resolved: That the report be commended to Council.

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### 49. Work Plan

It was noted that items on the Internal Audit Strategy 2016/17 and Annual Self-Assessment Review of the Effectiveness of the Audit Committee 2015/16 were to be deferred and would likely be considered on 30 June 2016.

At the request of the Committee, Officers would consider other training opportunities for the next municipal year.

THE MEETING WAS CONCLUDED AT 8.35 PM

CHAIRMAN