

AUDIT COMMITTEE

Minutes of the meeting held on 30 June 2016 commencing at 7.00 pm

Present: Cllr. Grint (Chairman)

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

Apologies for absence were received from Cllrs. Brookbank and Clack

Cllrs. Searles was also present.

The Chairman welcomed all Committee Members to the first meeting of the municipal year and noted that the membership was identical to the previous year meaning the Committee would benefit from the continuity of experience and understanding of the issues.

The Chairman welcomed Cllr. Hammock, Chairman of the Dartford Borough Council Audit Board to the meeting.

1. Minutes

Resolved: That the minutes of the Committee held on 15 March 2016 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 actions from the previous meeting were noted.

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

There were none.

5. Anti-Fraud Team Report 2015/16

The Counter Fraud & Compliance Team Manager presented a report which set out the activities of the Anti-Fraud Team during 2015/16, including the successful transfer of all benefit fraud work to the Single Fraud Investigation Service (S-FIS) in January 2016 and the arrangements for the new Counter-Fraud & Compliance Team based in the Revenues & Benefits Department on 1 February 2016. The remit of the Counter Fraud & Compliance Team was to protect the Council's revenues

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and to investigate any areas of fraud not covered by the Department for Work & Pensions.

He explained that the new Team had considered CIPFA's Fighting Fraud and Corruption Locally strategy. The Team was aiming to fight fraud and corruption as effectively as before the changes, focussing on the areas of highest risk namely discounts, allowances and reliefs on Council Tax and Business Rates. The Team would ensure that there was a robust compliance strategy. The Major Council Tax Preceptors were funding the acquisition of data analytical tools to help detect fraud and error and authorities were close to agreeing a Kent-wide data matching hub.

Members discussed the Kent data matching hub. In response to questions, Officers confirmed that regular checks were carried out against data the Council held to highlight fraud and error. The data analytical tools scored the risk of each referral and effort was concentrated on those deemed the highest risk, usually the top 10%. Referrals were further filtered by trained investigators to ensure that enquiries were both effective and fair. The Team aimed to cover its costs.

Public Sector Equality Duty

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

Resolved: That the work of the Anti-Fraud Team carried out during the year ended 31 March 2016 and the details of the new Counter Fraud & Compliance Team created on 1 February 2016 following the transfer of benefit fraud work to the Single Fraud Investigation Service (S-FIS) within the Department for Work & Pensions be noted.

6. Statement of Accounts 2015/16 - Establishment of Member Working Group

Members considered setting up a working group to review the 2015/16 Draft Statement of Accounts. The working group would recommend to Officers changes whilst ensuring that the accounts still adhered to the statutory regulations. The working group was expected to meet in August 2016 and could consider the document in detail and report back to the Audit Committee when they considered the matter in September 2016.

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 2015/16 Draft Statement of Accounts;

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- b) the Working Group be authorised to recommend to Officers changes to the Statement of Accounts 2015/16, prior to completion of the external audit of the accounts; and
- c) the membership consist of Cllrs. Dyball, Grint, Layland and McArthur with the Portfolio Holder for Finance, Cllr. Searles, invited to attend.

7. External Audit - Annual Audit Plan and Update

The Committee welcomed Sarah Ironmonger, the Engagement Lead and Geoffrey Bannister, the Audit Manager from the Council's External Auditors, Grant Thornton to the meeting.

The representatives of Grant Thornton explained to Members the Audit Plan for the year ending 31 March 2016 including an overview of the planned scope and timing of the audit. They highlighted the challenges and opportunities the Council faced that would be considered including financial health, devolution and the earlier closedown of accounts. The significant risks considered would include fraudulent transactions in the revenue cycle and the management override of controls, which were both presumed risks. Other areas of focus would be the pension valuation and the consideration of value for money with regard to the Council's Investment Strategy. Appointment of external auditors was still controlled by Public Sector Audit Appointments but it was expected there would be a fee reduction of 25%.

The Chairman explained that he would sign and send a letter to Grant Thornton in response to questions regarding how the Committee gained assurance from management, which they had asked him as Chairman. A copy of the letter would be circulated to all members of the Committee.

Public Sector Equality Duty

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

Resolved: That the report be noted.

8. 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 Public Sector Internal Audit Standards and regulatory requirements, in particular the Accounts and Audit Regulations.

Members had approved the plan at the meeting of the Committee on 15 March 2016, but in the absence of the Audit, Risk & Anti-Fraud Manager had requested that the item be presented again for further consideration. The Chief Finance

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Officer explained that as the Audit Plan had previously been approved, the recommendation should only be to note the report.

The Principal Auditor advised that, following comments from the Committee at the previous meeting, the audit into Planning Applications and Appeals was to be carried out in the second quarter of the year. Five audits had already been commenced. She highlighted that there could be delays in the signing off of final reports due to the current absence of the Audit, Risk & Anti-Fraud Manager.

In response to questions, the representatives from Grant Thornton advised that the outcomes of Internal Audit reports did help focus their own assessments and that significant reliance was placed on them.

Public Sector Equality Duty

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

Resolved: That the approved Internal Audit Plan for 2016/17 be noted.

9. Internal Audit Strategy 2016/17

The Chief Finance Officer presented a 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 and it worked alongside the Internal Audit Charter. 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 included a simplified audit opinion framework. The Principal Auditor explained that changes to the framework had been introduced from 1 April 2016, providing a detailed description of each opinion definition and that these definitions were more meaningful and more achievable than before.

Public Sector Equality Duty

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

Resolved: That the Internal Audit Strategy 2016/17 be approved.

10. 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. 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

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contribution towards effective governance, good internal controls and the management of business risk within the Council.

Officers clarified that Members had noted the plan at the meeting of the Committee on 15 March 2016 but in the absence of the Audit, Risk & Anti-Fraud Manager had deferred approval to allow for further consideration.

The Chairman thanked Members for their responses to their questionnaire. He felt the continuity in membership would allow for greater personal contributions as Members became more experienced with the Committee.

Public Sector Equality Duty

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

Resolved: That the Annual Self-Assessment Review of the Effectiveness of the Audit Committee 2015/16 be approved.

11. Annual Self-Assessment Review of the Effectiveness of Internal Audit Service 2015/16

The Chief Finance Officer presented a report detailing the outcome of the annual self-assessment review of the Council's Internal Audit function. The Audit, Risk & Anti-Fraud Manager had carried out the self-assessment in compliance with the Public Sector Internal Audit Standards 2013. The results from the process would also feed into the Manager's Annual Report and the Council's Annual Governance Statement.

The outcome of the self-assessment indicated that the Council's arrangements in place for Internal Audit in 2015/16 were substantially compliant with the Public Sector Internal Audit Standards but some areas for further development had been identified to meet full compliance.

The Principal Auditor highlighted that the service was compliant in 8 more areas than the previous year. In response to questions she confirmed that staff technical ability was an area for improvement which would be developed through the year.

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 2015/16, 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 noted.

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12. Internal Audit Annual Report 2015/16

The Chief Finance Officer presented a report which set out the achievements of the Internal Audit Team in delivering the assurance requirements for the period April 2015 to March 2016. In 2015/16 the Team completed 19 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 2015/16 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 for 2015/16 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.

13. Annual Governance Statement 2015/16

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 process confirmed that the Council had sound systems of internal controls and good governance arrangements in place. No significant governance issues had been raised and no areas identified for further enhancement.

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 the Annual Governance Statement for 2015/16, which accompanied the Council's Accounts be agreed for signature by the Leader of the Council.

14. Audit Committee Member Training

The Chief Finance Officer advised that at the meeting of the Committee on 15 March 2016 Members had asked Officers to consider training opportunities for Members of the Committee. In 2015/16 Members had received a report on the role of Internal Audit in June 2015 and Risk Management training in September 2015. Members were asked what training requirements they had.

Members discussed training requirements. The representatives from Grant Thornton advised on the range of training they could provide. The Chairman added that the Council was exploring training opportunities together with Dartford Borough Council for cost efficiency. Further discussions on training requirements would take place at the next meeting of the Committee, with specific proposals.

15. Work Plan

The work plan was noted. An update on Member training was to be added to 27 September 2016.

THE MEETING WAS CONCLUDED AT 8.15 PM

CHAIRMAN

