

## **AUDIT COMMITTEE**

Minutes of the meeting held on 10 June 2014 commencing at 7.00 pm

Present: Cllr. Grint (Chairman)

Cllr. Brookbank (Vice Chairman)

Cllrs. Mrs. Bayley, Orridge, Mrs. Purves and Towell

Apologies for absence were received from Cllrs. Brown, Fittock and Neal.

Cllr. Ramsay was also present.

Apologies for lateness were received from the Chairman. The Vice Chairman took the Chair.

Cllr. Brookbank in the Chair.

1. Minutes

Resolved: That the minutes of the Audit Committee held on 18 March 2014 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

The response from the Local Planning & Environment Advisory Committee to Minute 17 Audit Committee 10 September 2013, was noted.

5. Audit Committee Terms of Reference

It was noted that 3 (p) of the Terms of Reference would be reviewed as it possibly would be more suited in the remit of the Governance Committee.

Resolved: That the report be noted.

6. External Audit - Audit Committee Update

Mr Andy Mack (Engagement Lead) and Mr Geoffrey Banister (Audit Manager), from Grant Thornton presented their Audit Committee update. The paper also included a summary

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of emerging national issues and developments and a number of challenge questions in respect of these emerging issues. To date they reported the audit was progressing to plan and good arrangements continued to be in place. In response to questions Members were advised that compared to a couple of years ago there had been a significant improvement in the performance of the Benefits Service as fewer errors were being identified.

### 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.

### 7. External Audit - Annual Audit Plan

Mr Andy Mack and Mr Geoffrey Banister presented the Audit Plan which highlighted the key elements of their 2013/14 external audit strategy for the Council. The three main areas were financial statements, value for money and housing benefits. The Council had a good track record of accounts preparation with only some minor presentational issues. The audit fee would be the same as the previous year.

In response to questions, Members were advised that the adoption of the International Financial Reporting Standards (IFRS) had meant more information was included in the accounts, but it was time now to cut back. It would be possible to streamline the accounts by removing notes that were not material or did not add value to the user. Ways of streamlining the accounts would be discussed with the Chief Finance Officer.

Mr. Mack stated that the Department for Local Communities and Local Government proposed to bring forward the timetable for closure of accounts by up to two months. The Chief Finance Officer commented that in reality this could lead to an increased amount of assumptions and estimates in order to achieve the shorter deadline.

### 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. Anti- Fraud Team Report 2013/14

The Fraud Manager presented a report which set out details of the activities of the Anti-Fraud Team during 2013/14, the team's work plan for 2014/15 and the potential impact on fraud investigation services within Sevenoaks District Council caused by the creation of the Single Fraud Investigation Service (S-FIS). He further advised that a date had now been received for the work within S-FIS to be transferred to the Department of Work and Pensions (DWP), as February 2016. Negotiations regarding the transfer of staff would commence six months prior to this. The S-FIS would only investigate welfare fraud and so the investigation of fraud within Council Tax Support claims and Council Tax (discounts and exemptions) would remain the responsibility of the local authority.

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A Member queried whether more money was being retrieved than spent to retrieve. The Fraud Manager reported that more benefit fraud was being detected in comparison to the cost of the service, but as to the monetary value this was pretty constant. The recent amount discovered was the second highest value from the last four years results. However the Anti-Fraud Team only assisted with the detection of benefit fraud not the retrieval. With regards to Council Tax fraud, the work conducted by the Anti-Fraud Team provided significant benefits to both the local authority and Kent County Council and it was hoped that the County Council could assist the local authorities in Kent with permanent funding for this type of work.

Members agreed that it would be helpful to have some form of cost benefit analysis. The Chief Finance Officer advised that as positions were part funded by Government but no funds formally identified it would be difficult to differentiate.

*Action 1: That the Chief Finance Officer and Chairman further investigate ways of bringing a cost benefit analysis to the Committee.*

### Public Sector Equality Duty

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

Resolved: That the contents of the report and the work of the Anti-Fraud Team carried out in 2013/14 and that proposed for 2014/15, be noted.

Cllr. Grint in the Chair.

### 9. Report on Internal Audit Recommendations Outstanding

The Audit Risk and Anti Fraud Manager presented a report updating Members on progress of the implementation of recommendations agreed with management, and outstanding recommendations due for implementation by 30 April 2014. A report would be presented to all future meetings providing details on Internal Audit recommendations which had not been completed by management within the implementation due date. It would also include any relevant explanations for delay or cancelation of recommendations. Where appropriate, Members would be able to request responsible management to attend future meetings to provide further information regarding the reasons for the delay and its implications.

### Public Sector Equality Duty

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

Resolved: That

- a) the information in Appendix A to the report be noted; and

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- b) the reasons for delayed implementation be noted, and the revised dates for implementation provided by management, as noted in Appendix B to the report, endorsed.

### 10. Annual Self Assessment Review of the effectiveness of Internal Audit Service 2013/14

The Audit Risk and Anti Fraud Manager presented a report concerning the outcome of the annual self-assessment review of the Council's Internal Audit Function. It was the first report to be produced in accordance with the new Public Sector Internal Audit Standards (PSIAS) which came into effect on 1 April 2013. The new standards related to all public sector internal audit functions and were mandatory. Appendix A to the report set out the details of the self-assessment, which was undertaken using the standardised checklist.

Members commented that the template produced a very detailed review. The outcome of the review indicated that the Internal Audit partnership with Dartford Council was substantially compliant with the new standards. Areas for further development were identified which would enable full compliance within a reasonable timeframe. The Audit Risk and Anti Fraud Manager advised that the standards required that once every five years there should be an independent external assessment of internal audit.

Mr. Mack of Grant Thornton, the External Auditor, reported that the mid Kent Audit Partnership, (Ashford, Maidstone, Swale and Tunbridge Wells Borough Councils) had just had the first external review in the country, the details of which were now public. The Institute of Internal Auditors had carried this out. It was agreed that the Committee should be involved in the appointment process of the external reviewers.

#### 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 Internal Audit Service 2013/14, be approved.

### 11. Internal Audit Annual Report - 2013/14

The Audit Risk and Anti Fraud Manager presented a report setting out the achievements of the Internal Audit team in delivering the assurance requirements for the period April 2013 to March 2014. The report provided satisfactory assurance that the Council had effective internal controls and governance arrangements in place for the delivery of its objectives and the management of its business risks during the period 1 April 2013 to 31 March 2014.

#### Public Sector Equality Duty

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

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Resolved: That

- a) the work of the Internal Audit Team for 2013/14 be noted and 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.

### **12. Report on the Public Sector Internal Audit Standards**

The Audit Risk and Anti Fraud Manager presented a report setting out the Council's readiness to implement the new Public Sector Internal Audit standards. The report indicated that the internal audit function was substantially compliant with the new standards. However, there were areas for further development which requires addressing in order to achieve full compliance. These had been set out in an action plan for senior management's consideration.

#### Public Sector Equality Duty

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

Resolved: That the report on the implementation of the new Public Sector Internal Audit Standards and the proposals for achieving full compliance be approved.

### **13. Annual Governance Statement 2013/14**

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 or 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 more managers than in previous years had been involved in the process and had completed a detailed questionnaire to raise any issues that could be included in the AGS. The Internal Audit Team had also analysed the previous years AGS and minutes of various meetings held during the year to ensure that everything was included. This was a more detailed process than used in previous years as the importance of the document continued to increase. The AGS confirmed that the Council had sound systems of internal control and good governance arrangements in place in 2013/14.

It was noted that reference to the 'District Auditor' needed to be changed to 'External Auditor.'

#### 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 2013/14, which accompanies the Council's Accounts, be agreed.

### 14. Draft Strategic Risk Register

The Audit Risk and Anti Fraud Manager presented a report which gave Members the opportunity to review and comment on the Council's Draft Strategic Risk Register. The Draft Register had been developed by Officers, taking into consideration the views of the Officers Risk Management Group, Service Managers and Chief Officers. It set out risks that Officers considered could prevent or enhance the Council's ability to deliver the Vision and Promises set out in the Council's Corporate Plan.

The Chairman noted that the a recent survey of Members' training needs had identified the need for risk management training and it had been the intention to deliver this at the meeting, but it was an already full agenda, so training would be held on another occasion.

*Action 2: The Chairman, Chief Finance Officer and Audit Risk and Anti Fraud Manager to meet and discuss training arrangements for Members.*

It was agreed that this was a document that should be considered more regularly and in more detail throughout the year.

*Action 3: The Chairman, Chief Finance Officer and Audit Risk and Anti Fraud Manager to meet and discuss how best to address this for the rest of the year.*

### Public Sector Equality Duty

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

Resolved: That the Draft Strategic Risk Register be agreed with no further recommendations, amendments or additions.

### 15. Statement of Accounts 2013/14 - Member Working Group

Members considered setting up a working group to review the 2013/14 Draft Statement of Accounts and recommend any changes to the Foreword and presentational changes to facilitate better comparison of information between years.

### 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) a Member Working Group be set up to review the 2013/14 Draft Statement of Accounts; and
- b) the membership consists of Councillors Mrs Bayley, Brookbank, Fittock and Grint, with the Portfolio Holder for Finance & Resources, Cllr Ramsay, and Deputy Portfolio Holder, Cllr Firth invited to attend.

### 16. Review of the Effectiveness of the Audit Committee

The Chairman introduced the report of the Audit Risk and Anti Fraud Manager, which put forward proposals for assessing the effectiveness for the Audit Committee for the year 2013/14, its first full year of operation.

Looking at the responses received to the survey it was agreed that it was helpful to have Grant Thornton present for at least three meetings during the year, even though they were only obliged to attend two.

It was noted that the Constitution required an Annual report to Council on the work of the Committee. It was agreed that it would be useful to amalgamate this work and place it on the Work Plan.

### 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 2013/14, be approved.

### 17. Work Plan

The work plan was noted. Members discussed and agreed it would still be useful to have an update on any Community Infrastructure Levy (CIL) arrangements taking into account the fact that the Local Planning and Environment Advisory Committee would be receiving a report on the governance of CIL in the summer. Implementation of Audit Recommendations, Review of Effectiveness of Internal Audit and the Annual report to Council/ Review of Effectiveness of the Audit Committee report needed to be added to the meeting in March 2015.

*Action 4: The Chairman, Chief Finance Officer and Audit Risk and Anti Fraud Manager to meet and discuss how best to update the Committee on Community Infrastructure Levy (CIL) arrangements.*

THE MEETING WAS CONCLUDED AT 8.50 PM

CHAIRMAN