

Audit Committee

Meeting held 10 April 2014

PRESENT: Councillors Ray Satur (Chair), Joe Otten (Deputy Chair), Anders Hanson, Steve Jones and Sioned-Mair Richards.

Co-opted Independent Members

Rick Plews and Liz Stanley.

Officers in attendance

Eugene Walker (Interim Executive Director, Resources)

Laura Pattman (Assistant Director of Finance, Business Partnering and Internal Audit)

Kayleigh Inman (Senior Finance Manager, Internal Audit)

Stephen Bower (Finance Manager, Internal Audit)

David Phillips (Senior Manager, KPMG)

Richard Garrad (Corporate Risk Manager)

Dave Ross (Principal Committee Secretary)

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1. APOLOGIES FOR ABSENCE

1.1 An apology for absence was received from Councillor Martin Lawton.

2. DECLARATIONS OF INTEREST

2.1 There were no declarations of interest from members of the Committee.

3. MINUTES OF PREVIOUS MEETING

3.1 The minutes of the meeting of the Committee held on 9 January 2014 were approved as a correct record.

Matters Arising

3.2 South Yorkshire Trading Standards

3.2.1 In response to a question from a member of the Committee, the Chair (Councillor Ray Satur) reported that he had been briefed by the Chief Executive on the progress in obtaining a settlement with the other South Yorkshire authorities arising from the closure of the South Yorkshire Trading Standards Unit.

3.2.2 The Interim Executive Director, Resources provided an update on the latest position and indicated that the Chief Executive and Interim Executive Director, Communities had been working hard to progress the matter. He outlined the discussions that had been taking place with the other local authorities and considered that there was reasonable scope for progress.

3.2.3 Councillor Satur had asked the Chief Executive that he be kept informed of progress and he would ensure that the Deputy Chair (Councillor Joe Otten) was updated.

3.2.4 **Resolved:** That the information now reported is noted.

3.3 Adult Social Care

3.3.1 In response to a question from a member of the Committee on why the report on Adult Social Care was not on the agenda, the Assistant Director of Finance (Business Partnering and Internal Audit) reported that the timescale for completing the report had slipped, partly due to a change in leadership in the Communities Portfolio and agreeing the implementation plan. She added that the report would be available for the next meeting of the Committee.

3.3.2 Members of the Committee raised concern at the delay with the report. The Interim Executive Director, Resources indicated that officers would work towards having the report completed by the end of May 2014.

3.3.3 **Resolved:** That the Committee:-

- (a) notes the information now reported and that the aim was for the report on Adult Social Care to be completed by the end of May 2014;
- (b) requests the Interim Executive Director, Resources to inform the Chief Executive of the Committee's concern on the delay with the report and ensure that he receives a copy of the minutes for this item; and
- (c) notes that when the report on Adult Social Care was completed, the Chair would write to members of the Committee asking whether the report should be submitted to a meeting of the Committee in June or July 2014.

4. **EXTERNAL AUDIT PLAN 2013/14**

4.1 The Senior Manager, KPMG introduced the External Audit Plan 2013/14 that described how KPMG would deliver the financial statements audit work for the Council and also set out the approach to value for money work.

4.2 In presenting the report, the Senior Manager outlined the assessment of the key risks for the audit of the financial statements relating to Digital Region Ltd, the Local Government Pension Scheme triennial revaluation, property, plant and equipment and changes in associated bodies. He also referred to the value for money audit approach and the audit fee that had been set for 5 years in 2012/13.

4.3 The Senior Manager, KPMG and Interim Executive Director, Resources responded to questions from members of the Committee relating to the audit fee, the City Region Combined Authority, pension data, the interim audit visit, Digital Region Limited and the contract for housing and other maintenance. It was

noted that a significant amount of work had gone into addressing the backlog of pension queries and the Committee had received updates previously. In relation to the interim audit visit, it was reported that there were no matters to bring to the attention of this Committee.

4.4 **Resolved:** That the Committee notes the External Audit Plan 2013/14.

5. ANNUAL AUDIT FEE LETTER 2014/15

5.1 The Senior Manager, KPMG reported that the Audit Commission had published the final audit fee scale and the fee would remain the same in cash terms. The grant fee had reduced to reflect reductions in claim certification work required in 2014/15. The Audit Fee Letter would be submitted to the next meeting of the Committee for information.

5.2 **Resolved:** That the Committee notes the information now reported

6. INTERNAL AUDIT PLAN 2014/15

6.1 The Senior Finance Manager (Internal Audit) introduced a report of the Assistant Director of Finance (Business Partnering and Internal Audit) setting out the Internal Audit Plan and Strategy for 2014/15. The Plan summarised a risk based programme of work that demonstrated that the Council had made provision to discharge its statutory responsibilities. The format of the Plan had been amended to provide additional information on the scope of the audit reviews. Reference was made to the significant increase in the volume of unplanned work requested from Internal Audit in 2013/14.

6.2 The Senior Finance Manager and Interim Director of Resources responded to questions from members of the Committee. It was noted that the allocation for unplanned audit work was contained in the 229 days for Investigations and Benefits.

6.3 **Resolved:** That, in respect of the provision of the statutory Internal Audit function and in order to comply with best professional practice, the Committee endorses the programme of audit work for 2014/15 set out in the appendix to the report now submitted.

7. PROGRESS ON HIGH OPINION AUDIT REPORTS

7.1 The Senior Finance Manager (Internal Audit) introduced a report of the Assistant Director of Finance (Business Partnering and Internal Audit) on progress made against recommendations in Audit reports that have been given a high opinion. The report also recommended the removal of two audit reports from the future progress reports.

7.2 The Senior Finance Manager (Internal Audit) and Finance Manager responded to questions from members of the Committee. It was noted that there would be a follow-up audit for 'Projects – Risk Management and Reporting'.

7.3 **Resolved:** That the Committee:-

- (a) notes that contents of the report now submitted: and
- (b) approves the removal of the audits relating to Urban Traffic Control Special Investigation and Risk Management (Place) from future progress reports.

8. **PROTECTING THE PUBLIC PURSE ANNUAL FRAUD REPORT**

8.1 The Assistant Director of Finance (Business Partnering and Internal Audit) submitted a report informing the Committee of the key recommendations contained in the Audit Commission's 'Protecting the Public Purse 2013' report that provided a summary of detected fraud and identified key fraud risks affecting local government. The report also provided an update on fraud investigation activity within the Council during 2012/13. Attached to the report was the completed checklist for those responsible for governance.

8.2 The key messages from the Audit Commission's report on fraud in the public sector were:

- It is estimated that fraud costs the UK public sector more than £20 billion a year and local government more than £2 billion.
- In a time of austerity, preventing fraud is even more important to protect the public purse.
- Every pound lost through fraud cannot be spent on providing public services.

8.3 **Resolved:** That the Committee:-

- (a) notes the contents of the report and the completed checklist for those responsible for governance;
- (b) requests the Finance Manager (Internal Audit) to provide members of the Committee with the figures on the number of investigations from the Annual Fraud Survey for 2013/14 when available later this year; and
- (c) requests the Director of Housing Services to provide members of the Committee with information on the number of Right to Buy fraud cases and the number of Right to Buy applications/sales.

9. **COMPLIANCE WITH INTERNATIONAL AUDITING STANDARDS**

9.1 The Assistant Director of Finance (Business Partnering and Internal Audit) submitted a report that highlighted that the Audit Committee can demonstrate to the External Auditors and a wider audience that it had exercised the required oversight in order to meet the requirements of the International Standards on Auditing. This report drew together much of the work that had been undertaken by the Committee in the past year.

9.2 **Resolved:** That the Committee confirms that:-

- (a) that the report gives an accurate reflection of the reports that it has received and considered throughout the year; and
- (b) it has an overview of the Council's systems of internal control so that it is assured that it is fulfilling the requirements of "those charged with governance" under the International Auditing Standards.

10. EXCLUSION OF PUBLIC AND PRESS

10.1 **Resolved:** That the public and press be excluded from the meeting before discussion takes place on the following item of business on Strategic Risk Management on the grounds that, if the public and press were present during the transaction of such business, there would be a disclosure to them of exempt information as described in paragraph 3 of Schedule 12A to the Local Government Act 1972, as amended.

11. STRATEGIC RISK MANAGEMENT

11.1 The Corporate Risk Manager submitted a report and gave a presentation that assessed:-

- the Council's current Risk Management arrangements and the measures being implemented to further strengthen and improve those arrangements
- the Risk management trend analysis since the previous report to the Committee on 14 November 2013; and
- the current and emerging risks to delivery of the Council's strategic objectives and the controls in place to manage those risks.

11.2 Appended to the report was the Corporate Risk Management Plan for quarter 3 (December 2013). The Corporate Risk Manager also referred to the proposed risk management training for members of the Committee.

11.3 **Resolved:** That the Committee:-

- (a) notes the current assessment of the Council's Risk Management arrangements and endorses the measures being taken to strengthen those arrangements;
- (b) notes the improving trend in the management of risks;
- (c) notes the current and emerging risks and endorses the actions being taken to mitigate those risks; and
- (d) requests the Director of Human Resources to confirm which elements of the staff e-learning training are mandatory.

12. WORK PROGRAMME

12.1 The Interim Director of Legal and Governance submitted a report containing an outline work programme for the Committee for 2014/15 and for members of the Committee to identify any further items for inclusion. It was reported that the item on the review of the Adult Social care systems and processes would be considered at a meeting of the Committee in June or July 2014.

12.2 **Resolved:** That the Committee:-

- (a) approves the work programme for 2014/15 with the inclusion of an item on the review of the Adult Social Care systems and processes for a meeting of the Committee in June or July 2014; and
- (b) requests that members of the Committee inform the Chair or Deputy Chair of any potential items for inclusion in the work programme.

13. DATE OF FUTURE MEETINGS

13.1 It was noted that, subject to approval at the first meeting of the Committee on 4 June 2014 (Annual Council Meeting), meetings of the Audit Committee will be held on the following dates at 6.00 p.m.:-

- 17 July 2014
- 25 September 2014
- 13 November 2014
- 11 December 2014
- 8 January 2015
- 12 February 2015
- 12 March 2015
- 9 April 2015

14. COMMITTEE MEMBERS

14.1 It was reported Councillors Anders Hanson and Martin Lawton were not seeking re-election to the Council in May 2014.

14.2 **Resolved:** That the Committee places on record its thanks and appreciation to Councillors Anders Hanson and Martin Lawton for their contribution to the work of the Committee and offers them its best wishes for the future.