

Audit Committee

Meeting held 24 September 2015

PRESENT: Councillors Steve Jones (Chair), John Campbell, Dianne Hurst and Joe Otten.

Co-opted Independent Members
Rick Plews and Liz Stanley.

Officers in attendance
John Curtis (Head of Information and Knowledge Management)
Kayleigh Inman (Senior Audit Manager, Internal Audit)
Nalin Seneviratne (Director of Capital and Major Projects)
Andy Ward (Markets Manager)
Richard Eyre (Head Of City Centre Management and Major Events)
Clair Sharratt (Acting Senior Finance Manager, Strategic Finance)
Dave Phillips (Interim Director of Finance)
Sue Sunderland (Director, KPMG)
Simon Dennis (Senior Manager, KPMG)
Eugene Walker (Interim Executive Director, Resources)
Gillian Duckworth (Director of Legal and Governance)
Dave Ross (Principal Committee Secretary)

.....

1. APOLOGIES FOR ABSENCE

1.1 Apologies for absence were received from Councillors Tony Damms and Sioned-Mair Richards.

2. EXCLUSION OF PUBLIC AND PRESS

2.1 No items were identified where resolutions may be moved to exclude the press and public from the meeting.

3. DECLARATIONS OF INTEREST

3.1 There were no declarations of interest.

4. MINUTES OF PREVIOUS MEETING

4.1 The minutes of the meeting of the Committee held on 21 July 2015 were approved as a correct record.

5. INFORMATION COMMISSIONER'S OFFICE CONSENSUAL AUDIT

5.1 John Curtis (Head of Information and Knowledge Management) introduced a report of the Interim Executive Director, Resources that outlined the recommendations following a consensual audit of the Council's processing of

personal data undertaken by the Information Commissioner's Office in March 2015. The audit focused on Freedom of Information, Subject Access Requests and Information Sharing mainly within Communities and Children & Young People Services. An Executive Summary of the audit was appended to the report that provided an outline of the good practice that had been identified, assessment scores and areas for improvement. An action plan was in place to ensure that the areas of improvement were addressed and the plan was overseen by the Information Governance Board.

- 5.2 In response to a question from a member of the Committee, the Head of Service indicated that all recommendations had been either fully accepted or partially accepted. Where an action had only been partially accepted, for example due to the resources available to meet that recommendation, an approach had been agreed with the Information Commissioner's Office.
- 5.3 The Head of Service responded to a further question regarding information sharing and indicated that the process would be more consistent and standard templates would be used where there was information sharing with partners.
- 5.4 **Resolved:** That the Committee notes the contents of the report and the Executive Summary of the Information Commissioner's Office Consensual Audit.

6. INTERNAL AUDIT ANNUAL REPORT 2014/15

- 6.1 Kayleigh Inman (Senior Audit Manager, Internal Audit) submitted the Internal Audit Annual Report 2014/15 that highlighted the work that had been undertaken by Internal Audit during the year and which supported the Council's Annual Governance Statement (AGS). Appended to the report were the Internal Audit Charter, Internal Audit structure and post audit questionnaire. In particular, the Senior Audit Manager referred to (a) the six audits that were assigned an audit opinion of high risk of failing to deliver objectives, compared to 13 in 2013/14, (b) the positive response from management on routine audit work and that the majority of recommendations had been accepted and (c) no significant control weaknesses having been included in the AGS, although there were six governance issues where further work was required to improve compliance with governance controls.
- 6.2 The Senior Audit Manager responded to questions from members of the Committee and indicated that:-
- A report could be submitted to the Committee on the headlines from the audit reports assigned a medium high opinion and also include information on the rationale for the revised audit delivery plan and how the work had been prioritised.
 - On the issue raised on the adequacy of the resources available to Internal Audit, there were 12.11 (whole time equivalent) posts and, although there had been a loss of some staff during the year, recruitment had been undertaken in August. This will have an impact however on delivery of the 2015/16 work programme. The Interim Director of Finance referred to the

Council budget pressures and that Internal Audit was not a frontline service.

- There were no significant changes to the Internal Audit Charter. In respect of the section in the Charter on Independence and Objectivity and that 'reports can also be made to the Chair of the Committee if required', that arrangement could be extended to include other members of the Committee. There were also briefings held with the Chair. Councillor Steve Jones (Chair) stated that he would be inviting Councillor Joe Otten (Deputy Chair) to those briefing meetings.

6.3 Resolved: That the Committee:-

- (i) notes the contents of the report and the opinion of the Chief Audit Executive (Senior Finance Manager) that she is satisfied that the core systems included control arrangements which were adequate to allow the Council to conduct its business appropriately;
- (ii) notes the positive performance figures in the report;
- (iii) approves the Internal Audit Charter at Appendix A of the report; and
- (iv) requests the Senior Audit Manager (Internal Audit) to submit a report to a meeting of the Committee on the headlines from the audit reports assigned a medium high opinion and provide information on the rationale for the revised audit delivery plan and how the work had been prioritised.

7. MARKETS HIGH OPINION AUDIT REPORT FOLLOW UP

- 7.1 Nalin Seneviratne (Director of Capital and Major Projects) introduced a report of the Executive Director, Place that updated the Committee on progress with the six outstanding recommendations from the Internal Audit report on the Markets Service issued in January 2015. Also attending for this item were Andy Ward (Markets Manager) and Richard Eyre (Head of City Centre Management and Major Events).
- 7.2 Officers responded to questions from members of the Committee on the issue of debt recovery and write off. The Markets Manager indicated that the outstanding debt for the former Castle Market was reducing and £300k was outstanding for the Moor Market. All debts were pursued until uneconomic to do so. The Head of City Centre Management and Major Events added that the aim was full recovery.
- 7.3 In terms of the effect of the outstanding debt on the viability of the market, the Markets Manager indicated that the debt was chased constantly but that for some traders forfeiture of the stall would be the only option.
- 7.4 In response to a question on whether any studies had been undertaken on the viability of the market, the Head of City Centre Management and Major Events stated that he had been working with the Markets Manager on a new 10 year Business Plan. The Director of Capital and Major Projects commented that the

review of the Business Plan had been instigated before the Internal Audit report on the Markets Service had been issued.

7.5 The Interim Director of Finance commented that there was a need to ensure that the systems relating to rent build up were sound. Traders had been allowed to move into the Moor Market with outstanding debt and the key emphasis was to reduce the level of arrears so it did not affect the viability of the market.

7.6 **Resolved:** That the Committee notes the progress detailed in the report.

8. 2014/15 STATEMENT OF ACCOUNTS AND THE EXTERNAL AUDITOR'S REPORT TO THOSE CHARGED WITH GOVERNANCE (ISA 260)

8.1 The Committee considered a report of the Interim Executive Director, Resources that communicated any relevant matters arising from the external audit of the 2014/15 Statement of Accounts. Appended to the report were the Statement of Accounts and the External Auditor's Report to those Charged with Governance (ISA 260).

8.2 Clair Sharratt (Acting Senior Finance Manager, Strategic Finance) presented the report and highlighted that the External Auditors intended to issue an unqualified audit opinion on the accounts and an unqualified value for money conclusion. A number of minor misstatements and presentational errors had been identified by officers and, as a result of the external audit of the accounts, the necessary amendments had been made to the Statement of Accounts and agreed with the External Auditors. There was also one uncorrected error relating to a transaction that had been applied contrary to the new guidance in accounting for schools' assets. As the amendment of the previous year's figures would have involved a significant number of amendments having to be made and was below the threshold to be considered trivial by the External Auditors, the figures would be amended for the 2015/16 accounts.

8.3 Sue Sunderland (Director, KPMG) presented the external audit of the accounts and thanked Clair Sharratt and the Finance Team for their hard work and the quality of the accounts and indicated that the amendments had been fairly minor. The only outstanding issue related to the Whole Government Accounts and this was expected to be completed by 28 September and an unqualified opinion issued on the accounts. She confirmed that the accounts would not be amended for the issue relating to the transaction relating to schools' assets due to the amount involved. She was satisfied that the Council had arrangements in place to address the remaining risks relating to Adult Social Care and the need for saving plans for future years and would give an unqualified value for money conclusion. The continuing issue relating to pension data flows would be revisited in 2015/16 when the new pension system was able to monitor performance of data flows from other bodies.

8.4 Officers responded to questions from members of the Committee relating to non-audit work, reserves and the bad debt provision for short term debtors, as follows:-.

- The Director, KPMG stated that there was a limit on the amount of non-audit work they could undertake and this could be up to 20% of the audit fee or £18k whichever was the greater and this year it would be 20%. This required the approval of the Public Sector Audit Appointments (PSAA) Ltd and one of the considerations was whether the work created a perceived threat to KPMG's independence. Initially, the PSAA had not allowed KPMG to undertake the work on the 'Adult Social Care - Financial Grip' report but this work had now been approved. There was a rigorous process in place for consideration of the non-audit work and KPMG took its independence seriously.
- The Interim Director of Finance indicated that a prudent amount of reserves relating to the General Fund were held back but no more than was needed. This involved an assessment of all the risks.
- The Acting Senior Finance Manager indicated that it was prudent to make a provision for bad debts for short term debtors.

8.5 The Chair (Councillor Steve Jones) reported that Sue Sunderland was attending her last meeting of the Committee.

8.6 **Resolved:** That the Committee:-

- (a) accepts the Report to Those Charged with Governance (ISA 260) 2014/15;
- (b) approves the Statement of Accounts for 2014/15;
- (c) requests the Chair of the Committee to sign (i) the Letter of Management Representations in order to conclude the audit and (ii) the Statement of Accounts;
- (d) thanks Clair Sharratt and her Finance Team for their work on the Statement of Accounts and Sue Sunderland, Simon Dennis and the Audit Team at KPMG for their work on the ISA 260 report; and
- (e) places on record its appreciation to Sue Sunderland for her work as the Council's External Auditor and offers its best wishes for the future.

9. ADULT SOCIAL CARE PROGRESS UPDATE

9.1 Eugene Walker (Interim Executive Director, Resources) introduced a report of the Director of Business Strategy, Communities that provided an overview of the completed and ongoing management improvement actions in Adult Social Care relating to Strategic Planning, Leadership and Direction, Financial Control, Partnership and Change Management and Management and Performance Information. He explained that there had been regular reports to the Committee on the improvement areas. There had been a qualified opinion on the value for money conclusion in last year's External Audit of the accounts relating to Adult Social Care but an unqualified opinion was anticipated this year which was an indication of the progress that had been made. Although there was a projected

overspend this year it was less significant and he was confident that it would be balanced by the year end.

9.2 In respect of the request at the last meeting of the Committee for consideration to be given to publication of the closed report on Adult Social Care that was submitted to this Committee in July 2014, the Interim Executive Director stated that he had discussed this issue with the Director of Legal and Governance and a number of HR issues remained unresolved. Officers had tried to be as transparent as possible in the Committee meeting in July 2014 and there had been further progress reports to the open part of the Committee since that report was presented. Consequently, the Committee had received assurance that the findings of the report were being acted upon by the service. The Director of Legal and Governance added that there had been further assessment of the risks relating to HR liabilities and, in consequence, the report would remain closed for the foreseeable future, but officers would continue to review that position.

9.3 Councillor Joe Otten raised concern at the delay in publication of the report.

9.4 A member of the Committee suggested that the next progress report to the Committee could also include information that demonstrated that the figures accurately reflected what had to be delivered, that management teams were receiving accurate/reliable information and assurances that the budget pressures identified were being actioned.

9.5 **Resolved:** That the Committee:-

(a) notes the report and the improvement work that had been undertaken to date with regard to Adult Social Care; and

(b) requests the Director of Business Strategy, Communities to submit a further progress report to the Committee in approximately six months' time (a) on the actions identified in the report regarding further work and change required and (b) to include information that demonstrated that the figures accurately reflected what had to be delivered, that management teams were receiving accurate/reliable information and assurances that the budget pressures identified were being actioned.

10. **WORK PROGRAMME**

10.1 The Director of Legal and Governance submitted a report providing details of the Committee's draft work programme to April 2016.

10.2 **Resolved:** That the Committee approves the work programme with the addition of a report from the Senior Finance Manager (Internal Audit) on the headlines from audit reports that have been assigned a medium high opinion and to include information on the rationale for the revised Audit Delivery Plan and how the work had been prioritised.

11. DATES OF FUTURE MEETINGS

11.1 It was noted that meetings of the Committee would be held at 5.00 p.m. on:-

- 12 November 2015
- 10 December 2015 (additional meeting if required)
- 14 January 2016
- 11 February 2016 (additional meeting if required)
- 10 March 2016 (additional meeting if required)
- 14 April 2016
- 14 July 2016

This page is intentionally left blank