

## AUDIT AND GOVERNANCE COMMITTEE MINUTES - 29 SEPTEMBER 2016

**Present:** Councillor Stevens (Chairman), Lovelock, McElligott, McKenna, Page, Steele & Terry.

**Also in attendance:**

Simon Warren	Interim Managing Director
Alan Cross	Head of Finance
Paul Harrington	Chief Auditor
Giorgio Framaliccio	Head of Planning, Development and Regulatory Services
Maria Grindley	Director and Engagement Lead, EY LLP

### 11. MINUTES

The Minutes of the meeting of 21 July 2016 were confirmed as a correct record and signed by the Chairman.

### 12. FUTURE AUDIT ARRANGEMENTS - APPOINTMENT OF PUBLIC SECTOR AUDIT APPOINTMENTS LTD

Further to minute 22 of the meeting held on 19 April 2016, the Head of Finance submitted a report setting out the latest position in relation to the requirement in the Local Audit & Accountability Act 2014 (the Act) for the Council to eventually appoint its own external auditor.

The report proposed that, following the approval of Public Sector Audit Appointments Limited (PSAA) as the appointing person under the Act, they be asked to assist the Council in finding an auditor, and that the Head of Finance be authorised to progress arrangements. This would ensure that the Council achieved the best price for its independent external audit, and could minimise the work involved locally.

**Resolved:**

- (1) That it be noted that the Government had recently appointed Public Sector Audit Appointments Limited (PSAA) as an appointing person under the provisions of the Local Audit and Accountability Act 2014 (the 2014 Act) and the Local Audit (Appointing Person) Regulations 2015;
- (2) That PSAA be asked to assist the Council in finding an Auditor for 2018/19 and beyond, and that the Head of Finance be authorised to make arrangements to progress the process once PSAA publish the timetable.

### 13. PUBLIC SECTOR INTERNAL AUDIT STANDARDS (SELF ASSESSMENT)

The Head of Finance submitted a report informing the Committee of the results of the self-assessment carried out by the Chief Auditor against the Public Sector Internal Audit Standards (PSIAS).

The report explained that the PSIAS encompassed the mandatory elements of the Chartered Institute of Internal Auditors International Professional Practices Framework. Areas of non- or partial compliance had been identified during the assessment, and a Quality Assurance and Improvement Programme had been

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produced that showed how these would be addressed. Attached to the report at Appendix 1 was the action plan following the self-assessment.

The report stated that PSIAS required an external assessment to be completed once every five years by a qualified, independent assessor or assessment team from outside the organisation. Due to the excessive cost of this being carried out by an external organisation it was intended to arrange an external assessment completed via peer review in 2017, the results of which would be reported to a future meeting of the Committee.

**Resolved:**

- (1) That the actions required for improvement set out in Appendix 1 be noted;
- (2) That the Chief Auditor arrange an external assessment completed via a peer review in 2017, and report the results to a future meeting of the Committee.

### 14. AUDIT & INVESTIGATIONS QUARTERLY PROGRESS REPORT

The Chief Auditor submitted a report providing the Committee with an update on key findings emanating from Internal Audit reports issued since the previous quarterly progress report in July 2016.

The report set out a summary of the audit reports in respect of:

- Accounts Payable
- MOSAIC Finance Payments
- Right to Buy
- School Expansion Programme
- Section 106 Contributions

The report also listed the audit reviews in progress and the reviews planned for the next quarter, and gave a summary of recent investigations work including the following: Benefit Investigations, Fraud & Error Reduction Incentive Scheme, Housing Tenancy, Blue Badge investigations, and Section 106 Fraud.

Further to the audit review and investigations work relating to Section 106 Contributions, Giorgio Framalitto attended the meeting to outline the management actions taken following the discovery of the fraud and the progress with implementing the audit recommendations. A further update would be submitted to a future meeting of the Committee.

At the invitation of the Chairman, Councillor Ballsdon addressed the Committee on the investigation relating to Section 106 Fraud.

It was proposed at the meeting that a report back on issues raised in the audit of MOSAIC Finance Payments be submitted to a future meeting of the Committee. MOSAIC, the Council's Adult and Children Social Care System, included a substantial finance module to support the successful delivery of these services.

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Resolved:

- (1) That a further report on issues raised in the audit of MOSAIC Finance Payments be submitted to a future meeting of the Committee;
- (2) That a further update on the management actions resulting from the Section 106 Contributions audit be submitted to a future meeting of the Committee.

### 15. BUDGET MONITORING REPORT

The Head of Finance submitted a report setting out the result of the detailed budget monitoring exercise undertaken for 2016/17, based on the position to the end of July 2016.

The report had also been submitted to the meeting of Policy Committee on 26 September 2016, alongside a report setting out the Council's financial outlook (Minutes 35 and 41 refer).

Resolved:

That it be noted that, based on the position at the end of July 2016, budget monitoring forecast an overspend of around £6.8m in 2016/17.

### 16. TREASURY MANAGEMENT 2016/17 ACTIVITY TO AUGUST

The Head of Finance submitted a report setting out information about the Council's treasury activities to the end of August 2016, and gave a presentation at the meeting. The report and presentation explained the action being taken under the Treasury Management Strategy to minimise net borrowing costs; to ensure money was available and securely invested whilst being flexible to respond to changes in interest rates; and how treasury risk was managed overall.

It was suggested at the meeting that future reports set out more detail on the Council's property investment portfolio.

Resolved:

That progress in implementing the 2016/17 treasury strategy be noted.

### 17. APPROVAL OF THE 2015/16 ACCOUNTS, EY AUDIT MEMORANDUM AND AUDIT OPINION (ISA 260)

Maria Grindley reported that the 2015/16 external audit was still in progress and that EY were not therefore in a position to issue the External Auditor's report. The audit was expected to be complete by the end of October 2016, subject to being able to resolve outstanding queries.

The Chairman noted that the Committee would therefore not be able to consider the report submitted by the Head of Finance or to approve the 2015/16 accounts in line with the normal timescales. He proposed that an additional meeting be held on 17 November 2016.

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Resolved:

- (1) That the position be noted;
- (2) That an additional meeting of the Committee be scheduled on 17 November 2016, in order to approve the 2015/16 accounts and receive the External Auditor's Report.

### 18. EXCLUSION OF THE PRESS AND PUBLIC

Resolved -

That pursuant to Section 100A of the Local Government Act 1972 (as amended), members of the press and public be excluded during consideration of item 19 below as it was likely that there would be a disclosure of exempt information as defined in the relevant paragraphs specified in Part 1 of Schedule 12A to that Act.

### 19. APPROVAL OF THE 2015/16 ACCOUNTS, EY AUDIT MEMORANDUM AND AUDIT OPINION (ISA 260)

Maria Grindley briefed the Committee on the issues that had delayed the completion of the 2015/16 audit.

(Exempt information as defined in paragraph 3).

(The meeting started at 6.30pm and closed at 7.46pm).