

**MINUTES OF A MEETING OF THE
AUDIT COMMITTEE
Committee Room 3A - Town Hall
26 September 2013 (7.30 - 9.15 pm)**

Present:

COUNCILLORS:

Conservative Group Georgina Galpin (in the Chair) Roger Ramsey and Frederick Thompson

Residents' Group Clarence Barrett

Labour Group Denis Breading

Through the Chairman, announcements were made regarding emergency evacuation arrangements and the decision making process followed by the Committee.

14 CHANGES TO THE COMMITTEE MEMBERSHIP

It was noted that Councillor Osborne was no longer a member of this Committee and that the Independent Residents' had yet to nominate a member to fill the seat offered to them.

Council needed to appoint a Vice-Chairman to fill the vacancy left By Councillor Osborne.

15 MINUTES OF THE MEETING

The minutes of the meeting held on 25th June 2013 were agreed as a correct record and signed by the Chairman.

16 OUTSTANDING AUDIT RECOMMENDATIONS

Further to minute 7 of the previous meeting officers advised the Committee that the majority of the outstanding recommendations following the audit of the Crematory and Cemeteries section had now been completed. Digitalised maps had been prepared for all four cemeteries and a Business Plan was being developed to enable the outstanding recommendations to be actioned.

With regard to Appointeeship and deputies officers had spoken to the Manager who had advised that 99% of the accounts had been transferred. There were five exceptions, accounting for about £50,000. In each of these

cases either probate was involved or benefit payments by the government. These issues would be resolved shortly.

The report was **noted**.

17 ONE ORACLE

At the last meeting we had been advised that a number of issues involving oracle had not been resolved. Officers advised that these had not been implemented due to the One Oracle Programme. It was not considered worthwhile to make changes until the new system was implemented early in December.

Officers were asked to provide an update at the next meeting.

18 ANNUAL STATEMENT OF ACCOUNTS 2012/13

We have agreed to take agenda items 6, 7 and 8 as one item.

We were given a run through the accounts by officers and subject to minor amendment we have approved the Statement of Accounts, noting that these must be published by 30 September, 2013.

The Council's external Auditors PricewaterhouseCoopers (PwC) had issued their report which showed:

- They had completed the majority of their audit work and expected to be able to issue an unqualified audit opinion on the Statement of Accounts in September 2013.
- That the key outstanding matters, where their work had commenced but was not yet finalised, were:
 - Certification work on the Housing and Council Tax Benefits grant claim is subject to completion;
 - The review of their certification grant claim work on business rates;
 - Review of the final draft of the Statement of Accounts;
 - Approval of the Statement of Accounts and letters of representation;
 - Completion procedures including subsequent events review; and
 - Audit procedures on the Whole of government accounts return.

PwC identified two matters which they wished to draw to the Council's attention. These were:

1. Treatment for construction and transfer of academies,
2. Accounting standards issued but not adopted.

The treatment of Academy Schools was subject to on-going consideration by CIPFA/LASAAC. PwC had considered an alternative approach to that adopted by the Authority, but were not minded to challenge the accounting procedure adopted by the authority given that the difference in approach was not material to the financial statements. Officers pointed out that the approach they had adopted was consistent with the approach of a number of local authorities.

The auditors also draw the authority's attention to the treatment of Valuation of property, plant and equipment and investment properties. The Committee's attention was drawn to the following in relation to the assumptions:

1. Useful Economic Lives (UEL) – some of the assumptions on the remaining lives were considered to be simplistic and should reflect the specific characteristics of the property.
2. Apportioning land values – the external valuer has used an approach of apportioning land values as a percentage of building costs in their valuation. However, PwC valuers would adopt an approach that derived the land values by using a land value per acre based on market comparables.

Officers advised that these matters had been reviewed and considered by Management, including the Council's Internal Property team, who were comfortable that the assumptions and methodology adopted by WH & E do not materially misstate the financial statements.

PwC have considered the approach adopted by WH&E and the Authority and, in the context of the truth and fairness of the accounts as a whole, were not minded to challenge. However, they recommend that management, WH&E, and their internal valuers discuss the approach to be adopted for the 2013/14 valuations. Officers indicated that they would arrange such a meeting.

PwC also raised some concerns re Payroll Reconciliation.

'The payroll reconciliation was not completed for the year end on a timely basis. We understand from payroll team that payroll reconciliations have been produced throughout the year, but with issues needing to be resolved. PwC worked together with the payroll team to determine the right payroll report needed for the purpose of reconciling the payroll system to the General Ledger. We received the payroll reconciliation after five weeks from the start of the audit.

The remains a small difference on the payroll reconciliation which should be reconciled jointly by the payroll and finance teams.'

Management's response was as follows:

'ISS Management have discussed with PwC the format of reconciliations and agreed a revised format to be put in place for 2013/14. Separate monthly reconciliations will be in place during this year (2013/14) in the agreed format. The automation of the payroll reconciliation report is still in development therefore ISS is still reliant on Business Systems resources to produce adhoc reports.'

We are not aware of any

1. instances of actual or potential breaches of or non-compliance with laws and regulations which provide a legal framework within which the Authority and the group conducts its business and which are central to the authority's and the group's ability to conduct its business or that could have a material effect on the Statement of Accounts, and
2. irregularities, or allegations of irregularities including fraud, involving members, management or employees who have a significant role in the accounting and internal control systems, or that could have a material effect on the Statement of Accounts.

Nor have we changed our view of fraud risk or been aware of any additional matters which have arisen which should have been brought to our attention.

We have **approved** the Statement of Accounts confirming that no amendments are required to be made to the accounts in respect of the items set out in the auditor's report.

19 **FRAUD PROGRESS REPORT**

We have received a report outlining the work of the Investigations Team and Internal Audit Fraud Team from 1 April to 28 June 2013. During the period 214 fraud cases had been dealt with, 21 successfully. We have asked officers to provide more detail, especially of those cases shown as Referrals rejected/overloaded.

In reviewing details of the different category of referral we wish to see details of how many 'Living Together' cases were proceeded with and how many dismissed.

The results of the work of the Housing Investigations team in the quarter were considered. We noted the successful outcome in 5 cases.

We have **noted** the report.

20 **INTERNAL AUDIT PROGRESS REPORT**

We have received an update on the work of the Internal Audit Team during the period 1 April to 28 June 2013. During the period the Team completed

three system audits, two of which received Limited Assurance and one Substantial Assurance.

The first audit related to the Mayrise application system. The report had generated 14 recommendations, five given high priority and nine medium priority. Management had accepted thirteen of the recommendations but contested one. A limited assurance had been given because there was evidence of non-compliance with the controls that do exist. In the auditors opinion the level of risk exposure was not acceptable.

We felt that the recommendations, especially relating to IT were very technical. We have **asked** officers to review how they submit reports to show their recommendations in context. We would also like to be **reminded** how the team classify their recommendations.

In addition to the system audits the team had completed three school audits, all of which had received substantial assurance.

We have **noted** the report.

21 **OUTSTANDING AUDIT RECOMMENDATIONS**

As requested at our last meeting we received a full review of all outstanding recommendations from 2011/12. In a number of cases all recommendations had not been actioned because management were waiting for the introduction of One Oracle.

The Committee **noted** the report.

22 **ANNUAL REVIEW OF AUDIT COMMITTEE TRAINING**

Officers provided details of the training provided to members of the Committee, and substitute members over the last 12 months. This had included Housing Fraud, General Fraud update, Risk Based Verification and a briefing on the Single Fraud Investigation Service.

Officers had proposed a programme of training to cover the period up to the elections in May, 2014. Having considered officers recommendations we have agreed the suggested programme subject to one minor change. Rather than have further training on fraud in December, we have asked for training on Risk Management with Treasury Management to be covered in February.

Accordingly we have approved the following training programme:

- 3 December, 2013 – Risk Management
- 19 February, 2014 - Treasury Management
- 8 April, 2014 - Governance

23 **EXCLUSION OF THE PUBLIC**

The Committee resolved to excluded the public from the meeting during discussion of the following item on the grounds that if members of the public were present it was likely that, given the nature of the business to be transacted, that there would be disclosure to them of exempt information within the meaning of paragraph 3 of Schedule 12A to the Local Government Act 1972 which could reveal information relating to the financial or business affairs of any particular person (including the authority holding that information) and it was not in the public interest to publish this information.

24 **SURTEES CONTRACT**

The Committee was advised that agreement had been reached to go to arbitration to resolve the outstanding issues. The Council wished to divide the contract into two elements door entry systems and aerals. This had been agreed. The problem remaining was with the aerial contract and we have asked officers to provide a verbal update to our next meeting.

25 **TREASURY MANAGEMENT UPDATE - QUARTER 1 2013/14**

The Committee noted details of the Councils investments for the quarter ended 30 June, 2013. They were pleased to note that the Council had complied with its legislative and regulatory requirements, and continued to achieve a rate of return in excess of that budgeted for.

The report was **noted**.

Chairman