

Audit Committee – 18 June 2014

Minutes of the meeting of the **Audit Committee** held on **18 June 2014** when there were present:-

Chairman: Cllr Mrs J A Mockford
Vice-Chairman: Cllr Mrs L A Butcher

Cllr B T Hazlewood
Cllr J L Lawmon
Cllr Mrs C M Mason

Cllr D Merrick
Cllr Mrs M H Spencer
Cllr D J Sperring

APOLOGIES FOR ABSENCE

Apologies for absence were received from Cllrs N J Hookway and Mrs B J Wilkins.

OFFICERS PRESENT

Y Woodward	- Head of Finance
T Metcalf	- Audit and Performance Manager
J Kevany	- Principal Auditor
S Worthington	- Committee Administrator

ALSO PRESENT

R Bint	- BDO
C Reed	- BDO

130 MINUTES

The Minutes of the meeting held on 25 March 2014 were approved as a correct record and signed by the Chairman.

131 EXTERNAL AUDITOR REPORT UPDATES FOR 2012/13

The Committee considered the report of the Head of Finance providing details of the monitoring sheets for the BDO recommendations arising from the Annual Governance Report 2012/13 and the Grants Claims and Returns Certification Report 2012/13.

In response to Member questions the following points were noted:-

- Some of the errors within the Marketplace procurement system that arose at the end of one financial year/beginning of the next financial year related to orders that were part paid, resulting in unnecessary accruals, which slipped through checks. A moratorium on raising orders from 14 March 2014 was introduced, but there could be merit in introducing such a moratorium at an earlier stage next year, potentially a month before the financial year end.

- There did appear to be more errors around the year end procurement process for 2012/13 compared to 2011/12 but these only relate to minor amounts. In light of this, a lot of checking of sundry debtors and creditors has taken place this year to minimise such instances in future.
- The issue identified at the top of page 7.4 of the report was an isolated incident and the error related to pence, rather than pounds. The second issue was unusual, although on paper had looked like a very ordinary claim.

Resolved

- (1) That the monitoring sheet for the BDO recommendations arising from the Annual Governance Report 2012/13 be agreed.
- (2) That the monitoring sheet for the BDO recommendations arising from the Grant Claims and Returns Certification Report 2012/13 be agreed. (HF)

132 EXTERNAL AUDITOR'S ANNUAL AUDIT PLAN FOR 2013/14 AND PLANNING LETTER FOR 2014/15

The Committee considered the report of the Head of Finance providing details of the Council's external auditor's Annual Audit Plan (AAP) covering the audit of the 2013/14 accounts and certification of claims and returns and the Planning Letter 2014/15, which reports the proposed fees and programme of work for the 2014/15 financial year.

Officers confirmed, in response to a Member question relating to the proposed certification fee for 2014/15, that this had not yet been confirmed as the fee for 2012/13 had not yet been finalised by the Audit Commission; this was likely to be slightly higher than originally estimated, given the need for more checking of errors. BDO officers advised that this could lead to a slight increase in the fee detailed in paragraph 4.1 of the officer's report.

Resolved

- (1) That the external auditor's Annual Audit Plan for 2013/14 be noted.
- (2) That the external auditor's Planning Letter 2014/15 be noted. (HF)

EXCLUSION OF THE PRESS AND PUBLIC

Resolved

That the press and public be excluded from the meeting for the remaining items of business on the grounds that exempt information, as detailed in paragraph 3 of Part 1 of the Local Government Act 1972 would be disclosed.

133 INTERNAL AUDIT ANNUAL OPINION FOR 2013/14 AND PROPOSED ANNUAL AUDIT PLAN FOR 2014/15

The Committee considered the exempt report of the Head of Finance informing Members of the progress of internal audit work during the year, reporting the opinion of the Audit and Performance Manager on the overall adequacy and effectiveness of the system of internal control and providing a proposed 2014/15 annual audit plan for Members' approval.

Members congratulated Internal Audit for saving the Authority £10k in external audit fees by auditing the housing benefit subsidy claim in house, rather than this being completed by the external auditors. Members also made reference to the fact that the Council had been successful in obtaining re-accreditation for the Charter for Member Development.

The following points were noted, in response to Member questions:-

- The errors identified in the housing benefit subsidy claim 2012/13 in audit 1, as detailed on page 10.8 of the report, related to errors reported at item 7 of this Agenda
- The errors identified did not relate to the work of any individual member of staff, but often were as a result of, e.g., the timings in changes of circumstances being inputted on an incorrect starting date; each incorrect date constituted one error. It was important to note that the number of benefits transactions carried out by staff were in the thousands, thus the error levels were minor.
- The banking tender was underway with a view to new banking arrangements being in place from September 2014.
- The proposed audit plan detailed on page 10.10 of the report did not contain any areas of high risk; all items were rated low to medium risk.
- The audit contract in conjunction with Castle Point and Southend Borough Councils referred to in paragraph 4.7 of the report did not incur any costs to this Council and would only do so in the event of the Council having to make use of this contract in the future.
- Members of the Audit Committee would be welcome to arrange to come into the Council offices to observe parts of any audits undertaken by Internal Audit staff and to look at any of the detailed files relating to individual audits that had been undertaken in order to gain an understanding of the process for conducting audits and to be satisfied of the level of detail involved in such audits.

Resolved

- (1) That the internal audit opinion on the systems of internal control for 2013/14 be noted.
- (2) That the annual audit plan for 2014/15 be agreed. (HF)

134 ANNUAL GOVERNANCE STATEMENT FOR 2013/14

The Committee considered the exempt report of the Head of Finance presenting the Annual Governance Statement for 2013/14 for Members' consideration.

In response to questions, the following points were noted:-

- Nationally, Universal Credit schemes currently underway had around 5,000 cases; it therefore appeared unlikely that the Government would be able to meet the 2017 target for introduction of Universal Credit. It was not yet known when Universal Credit was likely to impact on this Authority.
- All outstanding service/back office reviews have been completed but not yet reported on; it was anticipated that this should be completed by the end of July 2014.

Resolved

- (1) That it be agreed that the level of assurance stated is sufficient for the 2013/14 Annual Governance Statement to determine the effectiveness of internal control with consideration given to the significant risks identified.
- (2) That the 2013/14 Annual Governance Statement be agreed for signing by the Leader of the Council and the Chief Executive. (HF)

135 AUDIT REPORT

The Committee considered the exempt report of the Head of Finance drawing Members' attention to the completed audit investigations and providing an update of audit recommendations.

Members emphasised that the reports to the Committee were accurate and of a high quality.

The following points were noted in response to Member questions:-

- Staff did take some laptops home, but these had the same anti-virus software installed as was used elsewhere on the Council systems. There was a secure logging in system in operation via the Internet for remote access to Council systems with two layers of security and only authorised,

encrypted memory sticks could be used on Council laptops and terminals.

- All staff have to adhere to Council IT policies; any failure to do so would result in disciplinary procedures.
- Payments were made to creditors via credit cards, cheques and BACS transactions.
- A lot of work has been undertaken with officers relating to the raising of orders in a timely manner and performance in this area was improving.
- Invoices are not paid until approved; officers, on receipt of goods or services, log onto the procurement system and confirm receipt of goods or services; this then allows invoices to be paid when they are received.
- Invoices are authorised by different officers to those raising the original orders. In the two instances reported on page 12.7 of the report that this did not happen, the correct process has been reinforced to the relevant members of staff.
- Internal Audit will always highlight any significant issues arising from audits to the Audit Committee.
- Bank reconciliation for income was done daily, with monthly reviews of debtors and creditors.

Resolved

- (1) That the conclusions and results from the audit engagements in appendix 2 be agreed.
- (2) That the updated information on the audit recommendations, outlined in appendix 3, be agreed. (HF)

The meeting closed at 8.45 pm.

Chairman

Date

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