

CORPORATE AUDIT COMMITTEE

Minutes of the Meeting held

Tuesday, 24th April, 2018, 2.00 pm

Councillors: Brian Simmons (Chair), Chris Dando, Richard Samuel (in place of Andrew Furse) and Chris Watt

Independent Member: John Barker

Officers in attendance: Donna Parham (Director of Finance), Jeff Wring (Head of Audit West) and Andy Cox (Audit Manager (Audit West))

Guests in attendance: Peter Barber (Grant Thornton) and Sophie Morgan-Bower (Grant Thornton)

182 EMERGENCY EVACUATION PROCEDURE

The Democratic Services Officer advised the meeting of the procedure.

183 ELECTION OF VICE-CHAIR

RESOLVED that a Vice-Chair was not required on this occasion.

184 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

Councillor Andy Furse presented his apologies and was substituted by Councillor Richard Samuel.

185 DECLARATIONS OF INTEREST

There were none.

186 TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR

There was none.

187 ITEMS FROM THE PUBLIC - TO RECEIVE DEPUTATIONS, STATEMENTS, PETITIONS OR QUESTIONS

There were none.

188 ITEMS FROM COUNCILLORS AND CO-OPTED AND ADDED MEMBERS

There were none.

189 MINUTES: 8 FEBRUARY 2018

The Independent Member said that it was not technically correct to state that Northamptonshire County Council had gone bankrupt (second paragraph on page 3 of the previous Minutes, agenda page 7). The situation was that they had had

extreme difficulty setting a lawful budget for the current year, and that the Chief Finance Officer had issued a Section 114 notice.

The Minutes were approved as a correct record, subject to this amendment, and signed by the Chair.

The Independent Member said that he had spoken to the Head of Audit West about the issue that he had raised at the previous meeting about the robustness of companies providing outsourced services to the Council (Minute 181), and he understood that there would be an item about this on a future agenda.

190 EXTERNAL AUDIT UPDATE

Mr Barber and Mrs Morgan-Bower presented the External Audit Update Report, and its three appendices, namely the External Audit Fee Letter, the External Audit Chair of Audit Committee Letter and the External Audit Management (S151) letter.

The Chair thanked the External Auditors for the work they had done, and said that the Committee could take assurance from the fact that their findings to date showed that the Council was heading in the right direction.

RESOLVED to note the report and appendices.

191 INTERNAL AUDIT ANNUAL REPORT 2017/18

The Head of Audit West and the Audit Manager (Audit West) presented the report.

The Audit Manager (Audit West) reminded Members that the 2017/18 Audit Plan had been presented to the Committee in April 2017, and that an update to the end of September 2017 had been presented to the Committee in December 2017. He drew attention to the Internal Audit performance dashboard on agenda page 48 and to the Audit Plan position statement in Appendix 1 of the report.

He asked Members to note that though there had been a significant amount of unplanned work, effective working with Internal Audit's strategic partner, the Devon Audit Partnership, had allowed 80% of the Plan to be completed. The high level of unplanned work and the number of investigations being carried out had been discussed at the December meeting, as had the Senior Auditor vacancy and the long-term sickness of two members of staff. The amount of unplanned work had continued to increase in the second half of the year.

Time spent on investigations during the year had exceeded 94 days. In addition, the three items of unplanned audit review work referred to in paragraph 4.9.2 of the report had accounted for 29 days. The contingency for unplanned work had been exceeded by 20%. He asked Members to note the 92% of audits completed in planned time and the high level of customer satisfaction.

He said that the fact that only 58% of recommendations had been implemented might at first sight appear disappointing, but this had to be put into context. During the year 20 audits had been followed up, of which 10 had high risk-rated recommendations. Only 3 of these had high-risk recommendations that were not implemented, as detailed in paragraphs 4.6.3-4.6.5 of the report. The 58% figure

indicated that there was a problem, but non-implementation related to only a minority of audits.

Two audits had resulted in an Assurance Level 2 “Weak Control Framework”, as detailed in paragraphs 4.8.2 and 4.8.3. In both cases management had accepted the recommendations and both audits will be followed up during the first half of the current financial year.

A Member questioned the value of the customer satisfaction survey, since, in his view, managers were very unlikely to express negative opinions. He thought the focus of Internal Audit and of the Committee should be on whether recommendations were implemented or not. The Head of Audit West responded that during audits there was quite often an element of disagreement or conflict with management, so the 100% figure for customer satisfaction was meaningful and significant. Collecting customer satisfaction information did not require the expenditure of additional effort. The Audit Manager (Audit West) added that satisfaction feedback allowed Internal Audit to monitor the work of the strategic partner, Devon Audit Partnership, and it was important to do this. Mr Barber said that he thought using customer feedback to inform how future audits were conducted was a sensible approach.

A Member asked about the audits whose status was given as ‘postponed’ in Appendix 1. Why, for example, had the Your Care Your Way contract management audit been postponed? The Audit Manager (Audit West) said that the reason was simply a lack of available resources. This audit was regarded as a high priority; it had been put into the 2018/19 plan and would be carried out fairly early this year.

Replying to questions from a Member the Audit Manager (Audit West) said

- Approval had been given to fill the Senior Auditor vacancy.
- Internal Audit was now satisfied that the payroll issue (paragraph 4.7.2) had been satisfactorily resolved.

The Head of Audit West commented on 4.10, Compliance with Public Sector Internal Audit Standards, and on 4.11 his formal opinion on the internal control framework. Final written confirmation had been received from the assessor that the Council was “general conforming” with the Public Sector Internal Audit Standards. This was the highest rating of the three that the assessor could give, which were “generally conforming”, “partially conforming” or “not conforming”. The assessment is very detailed, with the assessor speaking to stakeholders and clients of the Council, and uses a methodology that takes a holistic view of the audit service.

As far as his formal opinion on the internal control framework was concerned, continuing reductions in Council budgets were placing intense pressure on all services, including Internal Audit, which constitutes the third and final line of defence of the internal control framework.

A Member wondered whether the audit plan was too ambitious, given the amount of unplanned work that had to be undertaken every year. The Head of Audit West responded that contingency for unplanned work was built into every annual audit plan. However, the previous year the contingency had been exceeded by 20%. Unplanned work was disruptive, and had a disproportionate impact on planned work.

Very few local government audit teams completed 100% of their plans and the Committee was kept fully informed of the impact of unplanned work.

RESOLVED to note the Internal Audit Annual Report 2017/18 and formal opinion on the internal control framework.

192 INTERNAL AUDIT ANNUAL PLAN 2018/19

The Head of Audit West presented the report.

A Member asked what kind of training and tool kits were available to managers, who were the first and second lines of defence in the internal control framework. The Head of Audit West replied that these varied from service to service, and would include particular statutory requirements, inspectors' reviews by OFSTED or the HSE and good practice standards, for example. The Council also had its own standards, policies and procedures to manage internal control including Financial Regulations, Contract Standing Orders and the Budget Management Scheme. The Member asked how services could be encouraged to keep corporate governance requirements in mind, if there were varying standards for particular services, over which Internal Audit had no control. The Head of Audit West replied that the particular standards for a service were embodied in job descriptions and so forth along with those set for all services, i.e. Financial Regulations and it was reasonable to expect management to assess risks in their own area and work with the second line of defence – the oversight functions – in designing appropriate control. Internal Audit continue to assist in this process and would assess what the statutory requirements and the risks were in that particular area, and assess the internal control framework against those factors and make recommendations based on the results of the audit. This had been done over a number of years, so there was an evidence base on which to draw for auditors and management. In financial management, for example, it was very clear what was expected.

RESOLVED to approve the Internal Audit Plan for 2018/19.

193 ANNUAL REPORT OF CORPORATE AUDIT COMMITTEE

The Head of Audit West presented the report.

Members noted the proposed process and timescale for the production of the Annual Report as set out in paragraph 5.2

A Member suggested that it would helpful to have in the report some comparisons with the previous year, such as issues which have become more complex, restructuring in the Council, different relationships with other organisations and changes in the financial and political environment. The Committee's Annual Report should be a living document, rather than a template-based exercise. The Head of Audit West said that the views in the annual report would be those of the Committee and would be approved by the Chair on behalf of the Committee. The Member said that he hoped the point he had made would be taken on board.

RESOLVED to agree the process for the preparation of the Annual Report of the Committee and that the current terms of reference of the Committee are appropriate and no changes are proposed to them.

The meeting ended at 2.57 pm

Chair(person)

Date Confirmed and Signed

Prepared by Democratic Services