

**CORPORATE AUDIT COMMITTEE**

**Minutes of the Meeting held**

Thursday, 13th April, 2017, 2.00 pm

**Councillors:** Brian Simmons (Chair), Chris Dando and Barry Macrae

**Independent Member:** John Barker

**Officers in attendance:** Andy Cox (Audit Manager (Audit West)) and Jeff Wring (Head of Audit West)

**Guests in attendance:** Barrie Morris (Grant Thornton)

**134 EMERGENCY EVACUATION PROCEDURE**

The Democratic Services Officer advised the meeting of the procedure.

**135 ELECTION OF VICE-CHAIR**

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

**136 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS**

Apologies were received from Cllr Andrew Furse.

**137 DECLARATIONS OF INTEREST**

There were none.

**138 TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR**

There was none.

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

There were none.

**140 ITEMS FROM COUNCILLORS AND CO-OPTED AND ADDED MEMBERS**

There were none.

**141 MINUTES: 9TH FEBRUARY 2017**

These were approved as a correct record and signed by the Chair.

**142 EXTERNAL AUDIT UPDATE REPORT**

Mr Morris presented the update report.

Grant Certification (Appendix 1)

Audit work on Housing Benefit (HB) claims is done on behalf of the Department for Work and Pensions. There is no materiality in relation to HB, so all discrepancies have to be reported. A large number of issues had arisen in relation to HB claims in previous years, and Grant Thornton had agreed with the Council to provide training to officers processing HB claims to try to address the issues. It had been agreed that the training would be provided free of charge, provided that the number of errors decreased year on year. Unfortunately the number of errors identified this year had not decreased, so there would be an addition to the audit fee of £1,895 to cover the cost of the training. DWP had been concerned, particularly about the lack of sufficient evidence in relation to pensions, which could have resulted in a drawback of over £100,000. The Council undertook further work to find more evidence, which was reviewed by Grant Thornton, resulting in a reduction in the extrapolated error to £43,008. The Council must focus on improving its handling of HB claims.

A Member expressed concern that the report might give an unduly pessimistic picture of the Council's performance in relation to HB claims; a total error of £100k in relation to total was actually very small. It might be more expensive to recruit additional staff. He hoped that the problem would be reported and addressed in a proportionate manner.

Mr Morris agreed that the quantum might appear small, but there were a large number of transactions and a number of different areas of the process where problems were found, on a relatively small sample. In addition, the error figure related only to overpayments; there was no figure for underpayments, which could impact severely on recipients of HB.

The Head of Audit West stated that it was clearly disappointing that despite the free training offered by Grant Thornton, the number of HB errors had actually increased. The service had written to DWP setting out a number of actions that they were taking which can be shared with the committee, which was positive, but we could not give a categorical assurance to the Committee that errors would not re-occur. The DWP had written to the Council and had requested recovery of the overpaid subsidy.

A Member said that it was important for the Committee to receive a detailed report from the service about the problems and the actions being taken to address them. There could be an increase in unjustified claims if the perception developed that applications for HB were not adequately checked. Underpayments were as great a cause of concern as overpayments. Another Member said that it was important for the Committee to understand that the external auditors had an obligation to make extrapolations of potential losses from their sample testing. If there were issues relating to training and expertise in the service, it was important that the head of service should acknowledge them and explain to the Committee how he would address them.

It was agreed that the head of service should be invited to attend the next meeting of the Committee and present a report.

#### External Audit Plan for Council (Appendix 2)

In response to a question from a Member Mr Morris explained that historic assets and investment assets were valued by the same team in the Council, but on a

different basis. The external auditor checked to see whether the appropriate basis was applied.

He said that the external auditors were aiming to complete the audit on the 2016/17 accounts by July.

The Audit Manager reported that Internal Audit had carried out a review of iTrent System Administration and Security. This had been rated at level 3 (satisfactory) and 15 recommendations had been made. Management had responded positively and agreed to implement all the recommendations.

Mr Morris presented the External Audit Plan for the Pension Fund and the External Audit Update.

**RESOLVED** to note the report.

### **143 INTERNAL AUDIT ANNUAL REPORT**

The Audit Manager introduced the report and commented on the Audit Plan Position Statement.

A Member said that he would be concerned if too much emphasis was placed on achieving Audit Plan targets. He recognised that it was not possible to commit 100% of audit resources in advance, and that there had to be sufficient capacity for unplanned work and a proportionate approach to audit work. The Head of Audit West responded that the purpose of the audit dashboard was to be open and transparent about work done. The performance indicators used for it were standard among public sector auditors throughout the country and used for benchmarking.

The Head of Audit West said that the audit partnership with North Somerset had achieved significant savings for both councils over the past 4 years, 20% for Bath and North East Somerset and 30% for North Somerset. The effectiveness of partnership working was demonstrated by the fact that the 20% reduction in the budget had only resulted in a 10% reduction in working days. However, it had to be acknowledged that working days were at an historic low. In future increasing the efficiency of the audit service would not focus on cost reduction, but on seeking income opportunities. His view was that the Council's audit services now had the minimum level of resources required for the level of risk.

The Head of Audit West drew attention to his audit opinion in paragraph 4.11 of the report.

**RESOLVED** to note the Internal Audit Annual Report 2016/17 and formal opinion on the internal control framework.

### **144 INTERNAL AUDIT ANNUAL PLAN**

The Head of Audit West presented the report. He reminded Members that it was the Corporate Audit Committee that approved the Annual Audit Plan, not management. He drew attention to the two-stage risk assessment process used in formulating the plan under the Reasonable Assurance Model (RAM), as set out on agenda page

101. The results of the RAM were shown on page 109 and the Audit Plan Areas on pages 110-111.

Mr Morris said that the risk strategy and planning process was really good, but he thought it would be helpful if the risk assessment for each audit area was indicated. The Head of Audit West agreed. He said that this used to be done, but the view was now that anything that was high risk was included in the plan, and low risk areas were not. Anything considered to be above a certain risk threshold went into the plan. There were risk assessments for items in the plan, but these were very detailed and intended as an aid for internal management purposes. He was happy to share this information, but it might not be very informative for the public. The pattern was now that the audit areas changed more frequently than in the past, because, among other things, repeated savings led to continuous changes in service design along with changes to legislation and overall objectives.

A Member asked whether it was possible to identify the internal audit areas that were critical for the work of the external auditors. The Head of Audit West replied that the external auditors no longer relied directly on the work of internal audit as they may have done in the past. Mr Morris said that it was not a good use of Internal Audit's resources to continue to check functions which had already been assessed as satisfactory. If core systems had been given sufficient attention, the external auditors thought it was a better use of IA resources for them to target areas where significant change was taking place. However, if IA found a problem in, for example, payroll, the external auditors would change their approach to take account of that. The Head of Audit West said that it was informative for IA to look at areas of concern identified by the external auditors, for example the problems with HB payments, to see what further work IA might usefully do. This was a case of the work of the external auditors impacting on IA.

**RESOLVED** to approve the Internal Audit Plan for 2017/18.

## **145 AUDIT COMMITTEE ANNUAL REPORT**

The Head of Audit West presented the report. He said that as in past years the proposal was for him to produce a draft annual report in consultation with the Chair. This would be circulated to Members for comment. The agreed report would be submitted to Council in September.

A Member asked whether the risks arising from the establishment of Combined Mayoral Authority should be referred in the Annual Report. The Head of Audit West replied that while the Annual Report was primarily retrospective, there is section looking forward, in which the potential future could be mentioned, such as devolution, the Virgin "Your Care, Your Way" contract and Project Brunel.

The Head of Audit West said that he was proposing that an informal workshop Members should be held in July. This could include a review of the previous year, a presentation from the external auditors and presentations on topics such as fraud. Members agreed with this proposal. The Head of Audit West said that he would circulate proposed dates by email.

**RESOLVED** that:

1. The Annual Report of the Corporate Audit Committee is delegated to the Chair of the Committee for approval, subject to comments from Committee Members.
2. The current terms of the Committee are appropriate and no changes are proposed.

The meeting ended at 3.33 pm

Chair(person) .....

Date Confirmed and Signed .....

**Prepared by Democratic Services**