

CANNOCK CHASE COUNCIL
MINUTES OF THE MEETING OF THE
AUDIT AND GOVERNANCE COMMITTEE
HELD ON TUESDAY 21 MARCH 2017 AT 4.00 P.M.
IN THE CIVIC CENTRE, BEECROFT ROAD, CANNOCK

PART 1

PRESENT:
Councillors

Witton, P.T. (Chairman)
Cartwright, Mrs. S.M. (Vice-Chairman)

Bowater, J. Johnson, J.P.
Grice, Mrs. D. Woodhead, P.E.

Also Present:

- Richard Percival, Engagement Lead – Grant Thornton (External Auditors)
- James McLarnon, Manager – Grant Thornton (External Auditors)

25. Apologies

None received.

26. Declaration of Interests of Members in Contracts and Other Matters and Restriction on Voting by Members

No Declarations of Interests were made in addition to those already confirmed by Members in the Register of Members' Interests.

27. Minutes

RESOLVED:

That the Minutes of the meeting held on 29 November, 2016, be approved as a correct record and signed.

28. Internal Audit Quarter 3 2016-17 Report

Consideration was given to the Report of the Chief Internal Auditor (Item 4.1 – 4.9 of the Official Minutes of the Council).

Internal Audit Plan 2016-17

The Chief Internal Auditor advised Members it was unlikely the Plan for 2016-17 would be completed, primarily due to there being a long-term sickness in the team which had impacted on available resources. As a result, the Committee was asked to approve revisions to the Plan as detailed in Appendix 5 of the report.

A Member asked if employee sickness would impact on what could be done in the future in respect of audit work and whether it would be better to move from undertaking 'process driven' audits to ones which were outcome focussed. The Chief Internal Auditor replied that due to only being a small team, sickness did have a significant impact on what work could be done. It was necessary to identify required resources, build in contingency and focus on key/high risk areas as limited resource/Officer capacity was becoming an increasing issue across the whole Council. There was a desire to move towards outcome focussed audits, and discussions were taking place with Heads of Service about the best ways to do this.

IT Account Management Audit

The Chief Internal Auditor advised that issues identified during this audit were already being addressed by the Head of Technology, so it was hoped that an improved assurance rating could be given after the follow-up audit had taken place.

Payroll Audit

The Chief Internal Auditor advised that issues identified during this audit were clerical errors, so there was a need to ensure that employees were following the requirements of the Council's external data transfer policy.

A Member noted that this audit area had been given a 'medium' risk rating, so there must be some concern as to how it operated. The Chief Internal audit replied that this risk rating was a result of Officers' failure to follow policy and management awareness of that failure.

Creditors Audit

The Chief Internal Auditor advised that the assurance level for this follow-up audit had not been revised upwards, as due to a number of sickness absences within the team concerned, work on implementing the recommendations from the original audit was taking longer than planned. It was hoped however that work would progress sufficiently enough so that an improved assurance could be given as part of the year end audit report.

The Chief Internal Auditor then gave a brief summary of the audits which had been included on the Audit Plan and reasons why they were now being removed from the work that would be completed in the year.

Public Health & Other Enforcement Audit

The Chief Internal Auditor advised that this audit had been deferred due to Officer resource within the team concerned being diverted to deal with the Slitting Mill fire and associated issues; therefore it was not an appropriate time to conduct the audit.

Managing Welfare Reform Audit

The Chief Internal Auditor advised that this audit had been deferred due to the further delayed roll-out of Universal Credit, so therefore it would be more appropriate to conduct the audit once the roll-out had been completed.

Central Control (Social Alarms and CCTV) Audit

The Chief Internal Auditor advised that completion of this audit had been stopped due to the Social Alarms and CCTV functions being split up as part of the Council's revised Senior Management Structure. Once the functions were embedded within their new services then fresh audits would be carried out.

A Member asked for clarification about what the future plans were for the CCTV service. The Head of Governance replied that it was still a Council function at present, but was part of a wider consultation on CCTV provision across Staffordshire.

RESOLVED:

That:

(A) The report be noted.

(B) The revisions to the Internal Audit Plan as set out in Appendix 5 of the report be approved.

29. Internal Audit Plan 2017-18

Consideration was given to the Report of the Chief Internal Auditor (Item 5.1 – 5.20 of the Official Minutes of the Council).

The Chief Internal Auditor advised that the 400 combined days in which to conduct Cannock Chase and Shared Services audits provided only a limited amount of time to do the work, so the intention was to focus on high-risk audits first. Heads of Service and the External Auditors had both been consulted as part of developing the Plan. The number of audits included in the Plan would provide the team with sufficient work in order to provide a year end opinion for the Annual Governance Statement.

A Member commented that rather than using the Plan to audit many services in limited detail, it should be scaled back to look at fewer services in greater detail. The Chief Internal Auditor replied that as part of preparing the Plan consideration had to be given as to what could go wrong in certain service areas as there could be reputational damage to the Council if something did happen. Assurances from other bodies (such as the External Auditors or food safety inspectors) were also taken into consideration when producing the Plan. The Head of Governance further replied that an in-depth risk assessment was always undertaken when setting the Plan. As well as the set days to carry out audit work, contingency days were also included to give the team flexibility to carry out further work in specific areas if necessary. The Head of Finance also replied that annual audits were undertaken of the Council's financial services due to the high value and large number of transactions carried out by the department, and helped to monitor whether or not safeguards built into the relevant systems were being adhered to.

RESOLVED:

That the Internal Audit Plan 2017-18 be approved.

30. External Quality Assessment Report for Internal Audit

Consideration was given to the Report of the Chief Internal Auditor (Item 6.1 – 6.15 of the Official Minutes of the Council) (*presented by the Head of Governance*).

The Head of Governance drew attention to three recommendations within the assessment report for specific consideration by Members:

Recommendation R5: The Chief Internal Auditor should meet privately with the audit committee at least once a year

The Head of Governance suggested that if Members wished to adopt this approach then it would be most appropriate do so before the June meeting of the Committee each year at which the Internal Audit annual report and Annual Governance Statement were normally presented. The Chief Internal Audit advised that such provision was already included with the terms of reference for the Committee, which also allowed for Members to meet privately with the External Auditors if they so wished. Members responded that they were satisfied to continue with the current approach as they felt they were able to raise issues of concern as part of the normal meeting.

Recommendation S2: Re-instate annual audit committee effectiveness reviews

The Head of Governance advised that such reviews had been conducted in the past, but in terms of detail had been too much for Members to take on. A Member commented that the work of the Committee could be enhanced by improving the scope of training offered to include matters such as the annual statement of accounts.

Recommendation S7: Hold briefings with the Chief Internal Auditor before each audit committee

In response to a query raised, the Chairman advised that he attended pre-meetings with Officers in advance of each Committee meeting.

Recommendation R7: Include ethics work in the audit plan

A Member asked for clarification as to how this recommendation would be implemented and what its scope would be. The Chief Internal Auditor replied that it had been included in the 2017-18 audit plan but further advice was being sought from the external reviewer as to how best to approach implementing it. There was a need to ensure it was addressed however as it could impact on other areas of audit work. The Head of Governance further replied that work on updating the Code of Corporate Governance and Code of Conduct for Employees would need to be completed (and the updated documents embedded within the organisation) before this recommendation could be actioned.

The Chief Internal Auditor advised that progress updates on achieving the actions contained within the report would be submitted to the Committee on an annual basis as part of the Review of Internal Audit Report.

RESOLVED:

That:

- (A) The contents of the External Quality Assessment Report and the action plan contained within it be noted.
- (B) The conclusion of the Assessor that the Internal Audit section was compliant with the standards be noted.

31. Cannock Chase District Council Certification Letter 2015-16

Consideration was given to the Letter of the External Auditors (Item 7.1 – 7.2 of the Official Minutes of the Council).

Richard Percival reported that as part of the certification on the 2015/16 Housing Benefit subsidy claim, a number of errors had been identified which meant that further testing had to be carried out. As a result of this, the overall value of the claim was amended by £2,451 and the total fee to be paid by the Council was increased by £2,500. There was also a need for the Council to check that the software used for processing housing benefit applications was up to date as in one instance old software had been used, resulting in a number of processing errors occurring. The Head of Finance commented that a process had been implemented to ensure that software updates happened regularly and were only approved at service manager level or above.

RESOLVED:

That the Letter of the External Auditors be noted.

32. Cannock Chase District Council Audit Plan 2016-17

Consideration was given to the Report of the External Auditors (Item 8.1 – 8.21 of the Official Minutes of the Council).

Richard Percival advised Members that the purpose of the Plan was to report on the External Auditor's requirements for completing the audit of the 2016/17 accounts. Members were referred to the following aspects of the report: understanding your business and key developments; materiality; significant risks identified; other risks identified; value for money; and results of interim audit work. In respect of materiality, the threshold had been reduced compared to the previous year due to the declining financial position of the Council and potential for increased public scrutiny. As part of the interim audit work, it had been identified that a business levy payment of £564,000 had been made to Staffordshire County Council by CCDC, when in fact this payment should have been made by Stafford Borough Council.

Materiality

A Member commented that a materiality level of £200,000 would be more reassuring than the stated amount of £1,291m. Richard Percival replied that the level was set to allow the External Auditors to give an assurance on the annual

accounts. The Head of Finance also replied that the Annual Governance Statement was also in place to provide an additional level of assurance to Members.

Business Levy Payment

A Member asked for further details about the incorrect payment identified as part of the interim audit work. The Head of Finance replied that this payment was made out the Business Rates collection fund (which was separate from the revenue and capital budgets) on an annual basis, and on this occasion the payment was made incorrectly due to the wrong form being completed, and that form being signed off by the manager. Actions had however been taken to ensure this did not happen again the future. The payment had been made in September or October last year and picked up by the External Auditors in January this year.

Closedown of Accounts

A Member queried what the impact would be of the closedown of accounts deadline being moved from 30 September to 31 July each year. The Head of Finance replied that all relevant timescales would be brought forward to manage the change, and processes which would normally happen in April/May/June would happen earlier to spread the workload. The closedown was also reliant on receiving pension funds details from Staffordshire County Council within the required timescales.

RESOLVED:

That the Report of the External Auditors be noted.

33. Informing the Audit Risk Assessment for Cannock Chase District Council 2016-17

Consideration was given to the Report of the External Auditors (Item 9.1 – 9.21 of the Official Minutes of the Council).

Richard Percival reported that that were no issues to bring to the Committee's attention following the conclusion of the risk assessment.

RESOLVED:

That the Report of the External Auditors be noted.

The meeting closed at 5:25 p.m.

CHAIRMAN