

**CANNOCK CHASE COUNCIL**  
**MINUTES OF THE MEETING OF THE**  
**AUDIT AND GOVERNANCE COMMITTEE**  
**HELD ON TUESDAY 28 JUNE 2016 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)

Grice, Mrs. D.          Johnson, J.P.  
Hardman, W.M.A.      Woodhead, P.E.

Also Present:    Laura Hinsley, Manager – Grant Thornton (External Auditors)

**1.    Apologies**

Apologies for absence were submitted for James Cook, Engagement Lead, Grant Thornton (External Auditors).

**2.    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.

**3.    Minutes**

RESOLVED:

That the Minutes of the meeting held on 31 March, 2016, be approved as a correct record and signed.

**4.    Internal Audit Annual Audit Report 2015-16**

Consideration was given to the Report of the Chief Internal Auditor (Item 4.1 – 4.22 of the Official Minutes of the Council).

Members raised a number of queries in respect of the Q4 2015-16 audits:

Housing Benefits

A Member sought clarification on what action was being recommended to ensure recovery by the Council of overpayments of housing benefits when such payments were made following a change of tenants' circumstances.

The Chief Internal Auditor replied that monitoring of workload should take place to ensure that the available resources were deployed effectively.

The same Member then queried whether or not it would be better react quicker at the source of the issue by working more closely with the Department for Work and Pensions (DWP) to be informed as soon as a change in circumstances occurred.

The Chief Internal Auditor replied that the 'real time information' system used by the DWP was set up for this purpose, however the Council's own recovery process was being slowed down due to there being a backlog of information being sent in by the DWP.

The External Auditor further replied that she had seen the same system implemented in other local authority areas and generally it had taken some time for the new system to fully bed in, so this may be what was causing the backlog locally.

#### Information Management

A Member queried what the associated risks would be as the Council had not appointed a senior Officer as the Senior Information Risk Owner (SIRO).

The Chief Internal Auditor replied that the main risk was that there was no senior officer with responsibility for overseeing and co-ordinating Information Governance arrangements which could put data and personal information at a greater risk to loss or corruption.

The Head of Governance further replied that this matter was also being addressed via the Annual Governance Statement.

#### National Non-Domestic Rates (NNDR)

A Member queried what the specific issue was with regards to NNDR inhibit codes not being followed up.

The Chief Internal Auditor replied that the issue was in relation to accounts having recovery action stopped for longer than necessary or for inappropriate reasons without management overview.

#### Other Queries

A Member queried if there had been a year on year increase in the number of audits given either a 'partial' or 'substantial' assurance.

The Chief Internal Auditor replied that changes to the reporting mechanisms and risk methodology had perhaps resulted in some minor variations in what assurances rating were given, but overall the balance was broadly in line with what would normally be expected.

A Member queried if the Council was considered to be taking more risks than perhaps it had done so in previous years.

The Chief Internal Auditor replied that the Council didn't appear to be taking more risks, but what was occurring was that the number of risks being accepted by

managers had increased, which was due to managers having reduced capacity to ensure all necessary risk controls were in place.

Members then raised queries in respect of the full 2015-16 audit report:

#### Follow-up Audits

A Member queried if there were any concerns arising from any of the follow-up audit referred to on page 13 of the annual report.

The Chief Internal Auditor replied that 2 of the 7 audits had received a 'partial' assurance rating, but managers had given reasons as to why all recommended actions could not be implemented and accepted the associated risks.

#### Fraud & Irregularity Work

A Member queried if having not received any reports of fraudulent activity during the year could be considered a good or bad assurance rating.

The Chief Internal Auditor replied that it was difficult to determine what assurance should be given in this instance, but Officers were advised when any changes were made to the fraud reporting policies and appropriate training delivered to ensure full awareness of the reporting mechanisms in place. Reports had been received in previous years, so it was already known that the reporting system was effective.

RESOLVED:

That the Internal Audit Annual Report for 2015-16 be noted.

### **5. Review of the Effectiveness of Internal Audit and Internal Audit Charter**

Consideration was given to the Report of the Chief Internal Auditor (Item 5.1 – 5.30 of the Official Minutes of the Council).

A Member queried if alternative methods were being considered for how Internal Audit could better seek feedback from Officers following completion of individual audit reviews.

The Chief Internal Auditor replied that other options were being actively considered, such as using fewer surveys and instead engaging in more face to face feedback.

The Chief Internal Auditor also brought to Members' attention that standard 2400 'communicating results' should have been rated as full conformance and not partial conformation as was stated in the report.

A Member asked for further details as to why standard 2100 'nature of work' had been marked as only partial conformance.

The Chief Internal Auditor replied that the standard had been given a partial achievement rating as it was felt that the Council was not currently doing enough to fulfil the requirements of the standard in relation to auditing the Council's ethics

arrangements, but at the same time it was hard to know what more could be done as ethical arrangements were not something that always had a physical process which could be tested. It was recognised that the Employees' Code of Conduct was in need of updating and it had not been properly reviewed for a number of years. It was however noted achieving full conformance with this standard was an issue also being faced by other Staffordshire local authorities.

The Head of Governance further replied that the recent work undertaken to refresh the Council's 'Values' would be used as a basis to update the Employees' Code of Conduct.

The Chief Internal Auditor advised Members that a small number of changes had been made to the Internal Audit Charter which required the Committee's approval.

**RESOLVED:**

That:

- (A) The findings of the annual review of the effectiveness of Internal Audit for 2015-16 be noted.
- (B) It be noted that Internal Audit generally conformed to the Public Sector Internal Audit Standards, was operating effectively and could be relied upon when considering the Annual Governance Statement 2015-16.
- (C) The revised Internal Audit Charter be approved.
- (D) The arrangements for the External Quality Assessment of the Internal Audit function be noted.

## **6. Strategic Risk Register**

Consideration was given to the Report of the Head of Governance (Item 6.1 – 6.16 of the Official Minutes of the Council).

The Head of Governance advised that the rating for risk 18 had been altered to 'no progress made in reducing the risk' as a number of national factors were directly impacting on this risk which were not yet resolved, however it was important to note that work was actively being undertaken to mitigate this risk.

A Member queried if the recent closure of Rugeley Power Station had been account for in the Risk Register.

The Head of Governance replied that this was covered by the risk on Council funding, which also took account of changes to New Homes Bonus, National Non-Domestic Rates and the development of the Mill Green Retail Outlet Village.

A Member commented that the amended rating given to risk 19 (from red to amber) appeared to contrast with what had just been discussed regarding the Council's future funding position.

The Head of Governance replied that the intention of risk 19 was to monitor the Council's performance against its agreed priorities as set out in the Corporate Plan 2015-18, of which the majority of performance measures were being successfully achieved, and those not yet achieved were ongoing projects.

A Member queried why risk 22 had been rated green (low risk) given that concerns had been raised elsewhere about the Council's relationship with the local Clinical Commissioning Group (CCG).

The Head of Governance replied that the risk was created when the new Corporate Plan was put in place with a key focus on health matters, however it was recognised that issues existed with the CCG but these were separate from the matters covered by this risk.

A Member queried how the lobbying of government to try and secure gap funding following the closure of Rugeley Power Station would affect risk 18.

The Head of Governance replied that no response had yet been received from the Government regarding the funding request, but the Council would need to have a financial plan in place regardless of whether or not gap funding was provided.

RESOLVED:

That the progress made in the identification and management of the strategic risks be noted.

*Councillor Hardman left the meeting at the end of this item.*

## **7. Annual Governance Statement 2015-16**

Consideration was given to the Report of the Head of Governance (Item 7.1 – 7.23 of the Official Minutes of the Council).

*Councillor Mrs. Cartwright left the meeting during the consideration of this item and did not return.*

A Member raised concern that two of the items on the Annual Governance Statement did not have set specific target dates for completion.

The Head of Governance replied that target dates would always be set where possible, but in the two instances concerned it was not possible to do so as they were influenced by a number of external factors over which the Council had no control.

RESOLVED:

That the Annual Governance Statement 2015-16 be approved.

## **8. Annual Treasury Management Report 2015-16**

Consideration was given to the Report of the Head of Finance (Item 8.1 – 8.8 of the Official Minutes of the Council) (*presented by the Deputy Head of Finance*).

*Councillor Hardman returned to the meeting during the consideration of this item.*

A Member queried if the percentage return on investments as at 31 March, 2016 should be higher due to the total monetary value of investments held by the Council at that time.

The Deputy Head of Finance replied that the percentage return stated was the average for the full 2015/16 financial year rather than just as at 31 March.

A Member queried how the Committee could monitor in-year movements in investment levels, and what the Council was doing to secure the best investment rates available.

The Deputy Head of Finance replied that a mid-year Treasury Management report was usually presented to the September meeting of the Committee for consideration. In respect of investment rates, the Council had in place a credit methodology which it used to determine the most appropriate funds in which to invest.

RESOLVED:

(A) The annual Treasury Management report 2015-16 be noted.

(B) The actual 2015/16 prudential and treasury indicators as set out in Appendix 1 of the report be approved.

## **9. Progress and Update Report for Cannock Chase District Council 2015/16**

Consideration was given to the Report of the External Auditors (Item 9.1 – 9.12 of the Official Minutes of the Council).

A Member queried why further audit work was required on the payroll expenditure.

The External Auditor replied that the initial testing only covered the period April 2015 to February 2016, therefore work was required to ensure that the audit covered the full financial year.

RESOLVED:

That the report of the External Auditors be noted.

## **10. Cannock Chase District Council Audit Fee Letter 2016/17**

Consideration was given to the Report of the External Auditors (Item 10.1 – 10.4 of the Official Minutes of the Council).

A Member queried if the level of fee payable would increase if extra audit work

had to be undertaken due to the financial pressures facing the Council.

The External Auditor replied that any increase in the fee amount would more likely occur if there was a loss of resource support from the Council as this would directly impact on the workload of the external auditors.

RESOLVED:

That the Audit Fee Letter for 2016/17 be noted.

The meeting closed at 5:50 p.m.

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CHAIRMAN