

**AUDIT COMMITTEE  
26th September, 2019**

Present:- Councillor Wyatt (in the Chair); Councillors Cowles, Vjestica and Walsh.

Gareth Mills and Thilina De Zoysa (Grant Thornton) were in attendance.

An apology for absence was received from Bernard Coleman (Independent Person).

**28. DECLARATIONS OF INTEREST**

There were no Declarations of Interest made at the meeting.

**29. QUESTIONS FROM MEMBERS OF THE PUBLIC OR THE PRESS**

There were no members of the press or public present at the meeting.

**30. MINUTES OF THE PREVIOUS MEETING HELD ON 30TH JULY, 2019**

Consideration was given to the minutes of the previous meeting of the Audit Committee held on 30<sup>th</sup> July, 2019.

Resolved:- That the minutes of the previous meeting of the Audit Committee be approved as a correct record of proceedings.

**31. EXTERNAL AUDIT ANNUAL REPORT**

Gareth Mills, Grant Thornton, reported that they had now concluded their 2018/19 audit and had issued their audit certificate on 8<sup>th</sup> August, 2019, after the original target date of 31<sup>st</sup> July. This was in relation to Grant Thornton concluding the audit documentation on their audit file to ensure it was complete as at the date they issued their audit opinion. This had been Grant Thornton's decision and not as a result of any issues in relation to the Council's accounts or supporting working papers provided. Both the audit certificate and notice of conclusion of audit had been published on the Council's website.

The audit work had been carried out in accordance with the National Audit Office's Code of Audit Practice which reflected the requirements of the Local Audit and Accountability Act 2014. The key responsibilities were to:-

- Give an opinion on the Council's financial statements
- Assess the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources (the Value for Money conclusion)

The main headlines from the Annual Audit Letter in relation to the accounts and other audit responsibilities were that:-

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- An unqualified 'clean' opinion on the Authority's financial statements issued on 8th August
- Presentational changes
- Revised report in light of the McCloud judgement resulting in an increase in the Council's pension fund. This adjustment did not impact on the Council's level of useable reserves
- An assurance statement had been issued which did not identify any issues for the group auditor to consider in relation to the Council's Data Collection Tool
- One audit adjustment which did not affect the prime financial statements and a small number of presentational adjustments. None of the changes affected the financial performance or financial position of the Council
- An unqualified conclusion on the Authority's arrangements to secure Value for Money (VFM) for 2018/19 on 8th August, 2019
- Concluded that proper arrangements were in place for sound governance and informed decision making around Children's Services
- The Annual Governance Statement approved at the July Audit Committee (Minute No. 20 refers), was consistent with Grant Thornton's understanding and compliant with the CIPFA/SOLACE framework on good governance in local government
- Proper arrangements in place for informed decision making in relation to the Dedicated School Grant expenditure. However, should the deficit continue to increase in 2019-20, it may have implications for the 2019-20 VFM conclusion
- The Council's consolidation pack prepared to support the production of Whole of Government Accounts by HM Treasury was consistent with the audited financial statements
- There were no high priority recommendations or other matters that needed to be brought to the attention of the Audit Committee

Resolved:- That the final Annual Audit Letter 2018/19 presented to the Council by its external auditors, Grant Thornton, be noted and approved for publication on the Council's website.

**32. UPDATE REPORT ON THE USE OF SURVEILLANCE AND ACQUISITION OF COMMUNITY DATA POWERS**

Bal Nahal, Head of Legal Services, presented an update on the use of covert surveillance and covert human intelligence sources (CHIS) carried out by Council officers under the Regulation of Investigatory Powers Act 2000 (RIPA).

As previously with the Office of Surveillance Commissioners (OSC), the Council was required to notify IPCO of the number of directed surveillance/CHIS authorisations granted in each financial year. Since the last report, the Council had not used its powers under RIPA to use directed surveillance, covert human intelligence sources or to acquire communications data. A statistical return was completed and submitted to the Investigatory Powers Commissioners Office on 29<sup>th</sup> March, 2019.

The Council's corporate policies made provision for the Audit Committee to oversee the operation of these policies by receiving reports on a 6 monthly basis to ensure that RIPA powers were being used in a manner consistent with the Policy. This was the latest update report, however, as the Council had not used the powers for the last 2 years, it was appropriate to reduce reporting to an annual basis.

The Council's Policies were considered by the Committee on 29<sup>th</sup> January, 2019, and re-adopted with minor amendments. The Publication of the Revised Codes of Practice for Covert Surveillance and Property Interference and for Covert Human Intelligence Sources would require the RIPA Policy to be reviewed again by January, 2020 and the use of the powers to be reported in future at that meeting.

Resolved:- (1) That it be noted that the Council had not made use of surveillance or acquisition of communication data powers under RIPA since the previous report on 27<sup>th</sup> November, 2018.

(2) That further updates be submitted annually together with a review (updates/amendments) to the Council's RIPA Policy with the provision of submission of exception reports as and when required.

**33. INTERNAL AUDIT CHARTER**

Further to Minute No. 33 of the meeting of the Audit Committee held on 2nd October, 2018, David Webster, Head of Internal Audit, presented the revised Internal Audit Charter.

The Charter, which in effect was the Terms of Reference of the Internal Audit Department, was aligned to the Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN) which was mandatory for all Local Government audit departments. During 2019 the LGAN had been updated as well as CIPFA publishing a 'Statement on the Role of the Head of Internal Audit' aligned to PSIAS.

The Charter had been reviewed and updated slightly for 2019 to ensure it met those requirements.

The main changes were:-

- Updates to refer to the CIPFA publications
- Where the Head of Internal Audit had other responsibilities, there must be safeguards in place to ensure that independence was not impaired
- Further detail on the role of Internal Audit in respect of Anti-Fraud and Corruption
- Further detail on ad hoc advice and consulting services provided by Internal Audit

It was noted that the Professional Standards for Internal Audit were set out in the UK Public Sector Internal Audit Standards and required an independent assessment of Internal Audit at least every 5 years. The last external review took place 4 years ago; a report was to be submitted to the November meeting of the Committee proposing bringing forward the external review and to discuss the way forward.

Resolved:- That the Internal Audit Charter, as now submitted, be approved.

**34. AUDIT COMMITTEE FORWARD PLAN**

Consideration was given to the proposed forward work plan for the Audit Committee covering the period November, 2019 to September, 2020.

Resolved:- That the Audit Committee forward plan, now submitted, be supported and any amendments arising actioned in due course.

**35. ITEMS FOR REFERRAL FOR SCRUTINY**

There were no items for referral for Scrutiny.

**36. EXCLUSION OF THE PRESS AND PUBLIC**

Resolved:- That under Section 100(A) 4 of the Local Government Act 1972, the public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12(A) of such Act indicated, as now amended by the Local Government (Access to Information) (Variation) Order 2006 (information relates to finance and business affairs).

**37. INTERNAL AUDIT PROGRESS REPORT**

Consideration was given to a report presented by David Webster, Head of Internal Audit, which provided a summary of Internal Audit work completed during 1<sup>st</sup> June to 31<sup>st</sup> August, 2019, and the key issues that had arisen therefrom.

20 audits had been finalised since the last Committee meeting which included 7 receiving Substantial Assurance, 9 Reasonable Assurance and 4 Partial Assurance. Audit opinions and a brief summary of all audit work concluded since the previous meeting were set out at Appendix B.

Internal Audit also carried out unplanned responsive work and investigation into any allegations of fraud, corruption or other irregularity. 2 reports of this type had been issued since the last meeting (Appendix C).

Internal Audit's performance against a number of indicators was summarised in Appendix D which showed that target performance had not been achieved for audits completed within planned time and chargeable time which had been affected by annual leave. Appendix E showed the number of outstanding recommendations that had passed their original due date, age rated. For those over 120 days old the detail was then given, where they had been deferred the comment received from the Manager was given and where there was no change to the due date or comment, the Manager had not updated the system. There had been an overall reduction in the total of aged outstanding actions since the last report reducing from 29 to 22.

Discussion ensued on various matters contained within the agreed actions section of the report which included:-

- Staffing of the Audit Team
- Licensing
- Direct Payments
- Document Management
- Contract Manuals

Resolved:- (1) That the Internal Audit work undertaken since meetings of the Audit Committee, 1<sup>st</sup> June to 31<sup>st</sup> August, 2019, and the key issues arising therefrom be noted.

(2) That the information submitted regarding the performance of Internal Audit and the actions being taken by management in respect of the outstanding actions be noted.

(Exempt under Paragraph 3 of the Act – information relates to finance and business affairs)

**38. RISK MANAGEMENT SUMMARY OF ACTIVITY 2018-19**

Simon Dennis, Corporate Risk Manager, presented an annual summary of risk management activity in accordance with the Risk Management Standard ISO31000.

The report summarised the principal risk management activity that had been carried out in the Council throughout the past financial year. It covered a wider range of topics than those reported on the Strategic Risk Register reports and aimed to cover not only the key movements in Strategic Risks that had occurred over the period, but also the key elements of the Council's activity throughout the year.

The report set out:-

- Risk Management Responsibilities
- Training Summary
- Risk Management Process
- Current Risk Profile
- Future Developments.

Individual Service Management Teams and Directorate Leadership Teams had reviewed their Risk Registers in line with the Risk Management Policy and Strategy, typically every 4-6 weeks. Throughout the year, the Strategic Risk Register was formally reviewed by the Strategic Leadership Team (SLT) both at joint Strategic Leadership Team/Assistant Directors Performance Management meetings and at separate SLT meetings. These would continue throughout the coming financial year at 3 monthly intervals.

The Strategic Risk Register was also reported regularly to this Committee together with the annual "Deep Dives" of Directorate Risk Registers.

The total number of strategic risks included on the Risk Register had reduced from 18 to 13 over the period February, 2018 to July 2019. 5 risks had been removed from the Corporate Strategic Register with none being added. Of the risk that remained, 9 had a decreasing risk score and 4 had been constant.

Resolved:- That the annual summary of Risk Management activity be noted.

(Exempt under Paragraph 3 of the Act – information relates to finance and business affairs)

**39. DATE AND TIME OF NEXT MEETING**

Resolved:- That a further meeting be held on Tuesday, 26<sup>th</sup> November, 2019, commencing at 2.00 p.m.