

AUDIT AND GOVERNANCE COMMITTEE

Wednesday 11 March 2015

Present:-

Councillor Sheldon (Chair)
Councillors Baldwin, Brock, Lyons, Morris, Raybould and Williams

Apologies:-

Councillors Henson and Laws

Also Present

Assistant Director Finance, Assistant Director Customer Access, Service Improvement Lead (Benefits), Audit Manager (HK) and Democratic Services Officer (Committees) (SLS)

David Bray - Senior Manager Assurance, Grant Thornton
Geraldine Daly - Engagement Lead, Grant Thornton
Victoria Redler - Executive, Grant Thornton

1

MINUTES

The minutes of the meeting held on 3 December 2014 were taken as read and signed by the Chair as correct.

2

DECLARATIONS OF INTEREST

There were no declarations of discloseable pecuniary interest.

3

HOUSING BENEFITS ACCOUNTS 2013/14 QUALIFICATION UPDATE

The Assistant Director Customer Access and Service Improvement Lead (Benefits) attended the meeting to address an issue relating to housing benefit payments raised at the previous meeting. Housing Benefit is administered by the City Council on behalf of the Department for Work and Pensions (DWP) and the level of work had increased significantly. In addition, the teams (including Housing Benefit, Council Tax and Rents and Housing Advice) were undergoing a restructure as part of the Systems Thinking Review, which had an ongoing impact which was being addressed.

The Service Improvement Lead referred to Grant Thornton's role as external auditor and to an increased level of sampling of housing benefits cases. It was important to ensure that the correct payments were made in respect of housing benefits, to ensure the correct subsidy was reclaimed from the DWP. The subsidy claim was subject to an external audit by Grant Thornton before payment was agreed, and whilst there was no loss to the City Council, the 2013 /14 subsidy report highlighted a number of official errors, which required further investigation. He provided an explanation and also the action taken to address this. There was far greater checking requirement for 2014/15 and work was already underway checking high risk cases for the next audit, taking staff away from their day to day work.

Additional training had been provided for staff, with a number of workshops held, as well as one to one sessions with the Assessment Team. The importance of accurate inputting had been reinforced, resulting in a number of internal processes being changed. In the longer term, there had also been changes to the support

structure for the Assessment Team with new software solutions, and ensuring there was adequate quality assurance and support in place for decision making. They would also ensure that any intelligence from other officers is matched to identify problems before they arise.

In response to a Member's enquiry about sharing data with the key agencies, the Service Improvement Lead stated that this was being done in an effort to work better together. The City Council could already access databases of other departments such as the DWP and HRMC. A Member stated that she fully appreciated the continued impact on the team, but enquired about the history of the errors. The Service Improvement Lead stated that although the caseload did not differ, what had changed was the support structure in place and the focus on the decision making process.

The Assistant Director Customer Access also responded to a Member's comment on training, stating that they were constantly monitoring the error rate, despite there being an issue on volume versus quality of issuing payments. It had been unacceptable to have a back log, but she was confident that the additional training would have an impact.

Members thanked Bindu Arjoon and Chris Buckman for attending.

4

REVIEW OF CORPORATE GOVERNANCE RISK REGISTER

The report of the Corporate Manager Policy, Communications and Community Engagement was submitted, which advised the Committee of the changes made to the Corporate Risk Register. The Council's Corporate Risk Register ensures that the Council's business was conducted in accordance with the law and appropriate standards, and that public money was safeguarded and properly accounted for and used economically, efficiently and effectively.

The Assistant Director Finance presented the report and referred to a number of changes to the Register. One risk had been updated and four new risks had been identified and added to the Risk Register. He responded to a Member's enquiry about the recommendation for additional training in relation to the Council's Risk Management Policy, and confirmed that the Policy Officer, responsible for risk management work was in the process of arranging the training, which was likely to be in the form of e-learning and would be rolled out throughout the Council later in the year.

The Audit and Governance Committee reviewed and noted the updated Corporate Risk Register for the City Council.

5

AUDIT AND GOVERNANCE COMMITTEE UPDATE

David Bray, Senior Manager Assurance from the Council's external auditors, Grant Thornton circulated a paper which provided Members with details of the progress made to deliver their responsibilities as the City Council's auditors. He referred to the audit fee for 2013/14 set by the Audit Commission and confirmed that for 2014/15, the audit fee was £77,183 and the indicative Certification Fee had been set at £10,890.

Geraldine Daly, Engagement Lead, Grant Thornton provided a view of the summary of findings in respect of the 2014/15 certification work, and the reasons behind the need for additional testing in relation to the City Council's Housing Benefit subsidy

claim. She responded to a Member's question on where Exeter was positioned with regards to errors made in respect of housing benefits in relation to other authorities, and commented that the structure of change and reduction in resources were having an impact. Grant Thornton had issued more qualifying letters than in the past and Exeter was placed centrally in the ranking of Devon's local authorities.

David Bray advised that the Department for Communities and Local Government (DCLG) deadline for the publication of the final accounts for 2017/18 would be brought forward to 31 July 2018. Although this was some time in the future, achieving an earlier close date of accounts would be a significant challenge, which needed to be addressed now. A Member asked about the rationale behind this earlier deadline. Geraldine Daly reiterated that the reasoning behind the earlier audit timeframe was to gather the accounts to allow sufficient time for the whole of government accounts to be compiled before Parliament recessed for the summer break. The Assistant Director Finance also responded to a Member's comment about the challenges to meet the new timetable, and advised that discussions were already being held to implement this change.

The Audit and Governance Committee noted the report.

6 **CERTIFICATION REPORT 2013/14**

David Bray, representing Grant Thornton presented details of the certification work for 2013/14. The certification fee reflected the amount of work require by the auditor to certify the claims and returns in that year. He referred to the fees detailed in Appendix C for certification. However, given the level of additional work undertaken in respect of additional testing of the housing benefits subsidy claim, the fee was likely to include an additional fee of £9,000. The Audit Commission would determine the final fee.

The Audit and Governance Committee noted the report.

7 **EXETER CITY COUNCIL FRAUD DETECTION/COMPLIANCE LETTER (ISA 240 LETTER)**

Geraldine Daly, representing Grant Thornton, presented the Exeter City Council Fraud Detection/Compliance Letter (ISA 240 letter). There was a need to establish an understanding of the management processes in place to detect fraud and to ensure compliance with law and regulation. Grant Thornton were also required to make inquiries of both management and those charged with governance as to their knowledge of any actual, suspected or alleged fraud.

A copy of the letter and set of questions to be sent to the Assistant Director Finance and also the Chair of the Audit and Governance Committee were attached for information. The Assistant Director Finance and Chair of the Audit and Governance Committee were charged with responding to Grant Thornton and their responses would be reported to the July meeting of the Audit and Governance Committee.

RESOLVED that the Audit and Governance Committee noted the report.

8 **INTERNAL AUDIT CHARTER (BI-ANNUAL REPORT)**

The report of the Audit Managers was submitted, setting out the requirement for the Internal Audit Charter, the purpose of which was to define the scope and role of Internal Audit and explain its purpose, authority and responsibility. The Audit Manager (HK) reminded Members that Internal Audit now worked to the Public

Sector Internal Audit Standards (PSIAS), which required a review of the Charter every two years or following a change to the service. The Charter was last approved by this Committee in June 2013, but an update was required in view of the reduction in Internal Audit resources with effect from 1 April 2015.

RESOLVED the Audit and Governance Committee approved the Internal Audit Charter.

9

ANNUAL INTERNAL AUDIT PLAN 2015/16

The report of the Audit Managers was submitted, seeking the Committee's approval of the 2015/16 Internal Audit Plan, which was linked to the Council's Corporate Risk Register. The main areas of risk highlighted included a reduced level of internal audit to 470 audit days. An 'Enterprise Risk Management Approach' had also been undertaken to check there were adequate internal controls and a clear separation of duties. A copy of the Internal Audit Plan, attached as an appendix to the report, had also been linked to the Corporate Risk Register.

A Member referred to the reduction in audit days. The Audit Manager advised that Internal Audit they had spoken to the Assistant Directors and Corporate Managers about their strategic priorities and responsibilities concentrating on those high risk areas as part of the Risk Register management.

RESOLVED that the Audit and Governance Committee note the reduction in the audit resource and therefore the reduction in the Audit days available for 2015/16 and approve the 2015/16 Internal Audit Plan.

10

INTERNAL AUDIT PROGRESS REPORT

The Audit Manager (HK) submitted a progress report on the internal audit work carried out during the period 1 October to 31 December 2014. A summary of the progress made against the annual Audit Plan, together with the detail of those that had been completed were included in appendices to the report. A copy of the full report was available to Members on request.

A member of Internal Audit staff had taken voluntary redundancy resulting in a loss of 26 audit days for the final quarter, and the service would therefore not meet the 2014/15 audit plan. One of the requirements of the Public Sector Internal Audit standard is to conduct a self assessment of compliance with the standard, which must then be followed by an independent validation of the findings of that self assessment. The external assessment was conducted in October 2014 and there were two areas of concern highlighted on access to internal audit electronic files and also audit staff knowledge of contracts. The report also referred to a review of the effectiveness of this Committee, the outcome of the review being attached as Appendix C to the report.

There were no instances to report where recommendations were not accepted by management during this quarter. However, the Assistant Director Finance provided an update in relation to an Internal Audit recommendation not implemented in relation to the management of external funding income. It was important to ensure that the receipts of external grant funds were monitored adequately. In future, all external grant information finance would be reported to the Strategic Management Team on a monthly basis as well as meetings of the Scrutiny Committee - Resources as part of the regular budget monitoring report.

RESOLVED that the Audit and Governance Committee note the following:-

- (1) Internal Audit Progress Report for the third quarter of the year 2014/15;
- (2) those audit report's recommendations not implemented by management, as detailed in paragraph 8.2 of the report, but which was deemed an acceptable risk to the Council; and
- (3) approve the proposed revised Audit Plan for 2014/15 and Members note that the Audit Service would not meet the Audit Plan 2014/15 due to the approval of the voluntary redundancy of the part time auditor post with effect from 31 January 2015.

11

CODE OF CORPORATE GOVERNANCE 2015/16

The Assistant Director Finance presented the report which set out the proposed updated Code of Corporate Governance. The City Council was required to prepare and publish an Annual Governance Statement by Regulation 4 of the Accounts and Audit (England) Regulations 2011. This included a report on the Council's performance against the Code of Corporate Governance, and was required to be updated annually, to ensure that the Annual Governance Statement was accurate and meaningful. The updated Code was attached as an appendix to the report.

The Audit and Governance Committee supported the report and requested Council approval of the updated Code of Corporate Governance for 2015/16.

12

REVIEW OF UPDATE OF THE COUNTER FRAUD STRATEGY (PREVIOUSLY ANTI FRAUD, ANTI BRIBERY AND ANTI CORRUPTION)

The report of the Audit Manager sought approval for the revision to the Council's Counter Fraud Strategy (formerly Anti-Fraud, Anti-Bribery and Anti-Corruption Policy), which was attached to the report as an appendix.

Following a self-assessment of the Council's counter fraud capability, the Council's Counter Fraud Strategy had been updated to bring it up to date and in-line with the Chartered Institute of Public Finance and Accountancy (CIPFA) code of practice on Managing the Risk of Fraud and Corruption. Members recalled that fraud awareness training had recently been made and enquired if this opportunity had been made available to staff. The Audit Manager advised that staff were made aware of this on a regular basis, as well as through the 'What You Should Do If You Suspect Fraud, Theft or Corruption' leaflet aimed at staff, councillors and members of the public. The Policy will be reviewed by Internal Audit, with other relevant persons, at least biannually, with any significant changes being reported to the Audit and Governance Committee for consideration and approval.

RESOLVED that the Audit and Governance Committee approve the revised Counter Fraud Strategy, a copy of which was circulated with the report as an appendix.

13

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985 - EXCLUSION OF PRESS AND PUBLIC

RESOLVED that, under Section 100A (4) of the Local Government Act 1972, the press and public be exclude from the meeting for the consideration of the following item on the grounds that it involved the likely disclosure of exempt information as defined in paragraph 3, of Part 1 of Schedule 12A of the Act.

REVIEW OF CORPORATE GOVERNANCE RISK REGISTER (APPENDIX A)

The report of the Corporate Manager Policy, Communications and Community Engagement was presented which advised the Committee of the changes introduced to the Council's Risk Management policy.

The Audit and Governance Committee noted the updated Corporate Risk Register contained in Appendix A.

(The meeting commenced at 5.30 pm and closed at 6.45 pm)

Chair