

Audit Committee Minutes

The minutes of the Audit Committee meeting of Wyre Borough Council held on Tuesday, 13 November 2018 at the Civic Centre, Poulton-le-Fylde.

Audit Committee members present:

Councillors R Amos, Beavers, Ingham, McKay, Moon, A Turner, Walmsley and Wilson.

Apologies for absence:

Councillors E Anderton, Balmain, Greenhough, Holden, Raynor and B Stephenson.

Other councillors present:

Councillor I Amos.

Officers present:

Clare James, Head of Finance and Section 151 Officer
Joanne Billington, Head of Governance
Karen McLellan, Senior Auditor
Paul Hewitson, Director and Risk Advisor Deloitte LLP
Roy Saunders, Democratic Services and Scrutiny Manager.

No members of the public or press attended the meeting.

17 Apologies for absence

Apologies for absence were received from Councillors E Anderton, Balmain, Greenhough, Holden, and Raynor. Cllr B Stephenson was also not present.

Cllr Beavers apologised for having to leave before the end of the meeting.

18 Declarations of interest

Cllr Moon declared an "other" but "not significant" interest in in the Officers Gifts and Hospitality Register, referred to under the item on Internal Audit and Risk Management progress Report, because he was named on the list as having given a gift.

19 Confirmation of minutes

Agreed that the minutes of the Audit Committee meeting held on 24 July 2018 be confirmed as a correct record.

Annual Review of Audit Committee's Performance

The Head of Finance (Section 151 Officer) submitted a report on the latest annual review of the Committee's performance.

The Head of Governance referred to the CIPFA self-assessment of good practice questionnaire attached as Appendix 1 of the report which she and the Head of Finance had completed. She drew attention in particular to the new questions included for 2018 (questions 13, 20, 21, 22, and 25) and also to the proposed actions set out in the comments column on questions 3, 4, 7, 12 and 21. Members of the committee commented on those questions and actions.

Agreed:

1. That the report of the Head of Finance (Section 151 Officer) and the Introductory comments made by the Head of Governance be noted.
2. That the responses made in the comments column of the completed self-assessment of good practice form, attached as Appendix 1, be endorsed.
3. That the following specific actions be approved:-
 - (a) That the Audit Committee's terms of reference would be reviewed in March 2019 to reflect any changes made in the recently amended CIPFA guidance.
 - (b) That, following the council election in May 2019, the new Audit Committee would receive training on the amended terms of reference.
 - (c) That a new questionnaire specific to Audit Committee members (and separate questionnaires for members of other committees), would be devised, ready for use immediately after the May 2019 election, to identify the current level of knowledge of committee members.
 - (d) That, following appointments to committees in May 2019, all Audit Committee members would have a one-to-one meeting where any gaps in the required core knowledge and skills framework would be identified and addressed.
 - (e) That, as stated in the Annual Governance Statement, the Chief Executive would meet with the Current Leader of the Council prior to the May 2019 election to discuss committee numbers and also the required skill set of the Audit Committee.
 - (f) That when considering future audit reports, the Audit Committee would consider calling in Service Managers, if appropriate, to

challenge them on audit findings, outstanding actions or any associated risks.

21 Internal Audit and Risk Management - Progress Report

The Head of Finance (Section 151 Officer) submitted a report reviewing progress on Internal Audit activity (Appendix 1), risk management (Appendix 2) and actions arising from the Annual Governance Statement for 2017/18 (Appendix 3).

The Head of Governance introduced the report. She began by referring to the schedule of completed audit reports, starting on page 44 of the agenda. She said that in most cases the audit opinion had been “Good”, but in one case, an audit of the Marine Hall, the opinion in the final report had been “Weak”. She said that action was being taken on the identified areas for improvement summarised in the schedule. The Senior Auditor said that, as had been agreed following the audit report, she had been visiting the Marine Hall regularly to offer support, advice and guidance to check that improved control procedures had been put in place and were becoming embedded. She confirmed that the majority of recommendations made in the audit report had been implemented, although progress in embedding the improvements and developing a new culture had been slower than had been hoped because of staff turnover. Unfortunately, in September there had been a discrepancy in a cash reconciliation. An investigation had been carried out but it had not been possible to identify how the loss had occurred. A member of the Finance Team had also been allocated to visit the Marine Hall over the summer to help support the process and provide some additional cover to ensure financial procedures were properly followed. The new Commercial Manager was now working strenuously with the Audit and Finance Teams to put make sure improvements were made and that procedures and processes were properly followed.

The Head of Governance circulated to members of the committee lists of the gifts and hospitality received by both officers and councillors since 2018. She said that there were not many entries and they did give rise to any current concerns.

With regard to risk management, the Senior Auditor reported that a review of the Council’s high level ‘strategic’ risks had been completed with the Corporate Management Team on 5 November 2018. She said that, as a result of the review, four of the identified risks had retained the same score as in the first half of 2018/19 and remained above the risk appetite; the likelihood of two risks had been reduced, removing them below the risk appetite; and, two risks had retained the same score as in the first half of 2018/19 and remained below the risk appetite. No new risks had been identified. An executive summary of the results of the review was distributed to members of the Committee.

The Senior Auditor said that she had also recently undertaken a regular six monthly review of operational risks and Heads of Service were currently in the process of sending updates to her.

The Head of Governance said that good progress was being made in implementing the actions arising from the Annual Governance Statement 2017/18, as described in the final column of Appendix 3. She said, in response to questions, that compliance with the General Data Protection Regulations (GDPR) 2018 had so far been good. She said that that had largely been because of the strong lead given by the Corporate Management Team and the commitment made by Service Managers to promoting the completion by their teams of required tasks. Significant resources had been allocated in the Audit Plan to ensuring GDPR compliance. As part of that work, two-thirds of the Council's contracts had so far been reviewed and negotiations were currently taking place with suppliers to update some of them. Reviews of data retention schedules were also being carried out to reduce the risk of information which should have been deleted being released when responses were sent to Freedom of Information Act and Subject Access requests.

Agreed:

1. That progress on the delivery of the Internal Audit Plan be noted.
2. That the Commercial Manager be asked to attend the Audit Committee meeting in June 2019, when a report on the Senior Auditor's assessment of the response to the action plan arising from the audit of the Marine Hall would be due for consideration.
3. That progress on the management of strategic and operational risks be noted.
4. That progress on the implementation of actions arising from the Annual Governance Statement for 2017/18 be noted.

22

Annual Review of Financial Regulations and Financial Procedure Rules

The Head of Finance (Section 151 Officer) submitted a report.

The Head of Governance explained that the Financial Regulations and Financial Procedure Rules were reviewed annually, in accordance with best practice and guidance. She said that the regular review process provided evidence which helped the council to demonstrate that it had put arrangements in place to maintain a sound system of internal control. She referred to the proposed, relatively minor, amendments listed in paragraph 5.1 of the report.

As previously agreed by the Committee, paper copies of the Financial Regulations and Financial Procedure Rules had not been printed with the agenda, but links had been included in the report to enable them to be viewed on the Council's web site.

Agreed that the proposed changes to the Financial Regulations and Financial

Procedure Rules referred to in paragraph 5.1 of the report and set out in full as track changes in Appendix 1 of the report, be approved.

23 Annual Review of Council's Counter Fraud Policies

The Head of Finance (Section 151 Officer) submitted a report on the Annual Review of Council's Counter Fraud Policies: Anti-Fraud, Corruption and Bribery; Whistle Blowing; Anti Money Laundering; Gifts, Hospitality and Registration of Interests.

The Head of Governance introduced the report and highlighted proposed changes to the policies, listed in Section 5, of the report.

As had previously been agreed by the Committee, paper copies of the policies had not been printed with the agenda, but links had been included in the report to enable them to be viewed electronically.

Agreed that the revised versions of the following policy documents, including the amendments set out in paragraphs 5.1 to 5.6 of the report of the Head of Finance (Section 151 Officer), be approved:

- Anti-Fraud, Corruption and Bribery Policy;
- Whistleblowing Policy;
- Anti-Money Laundering Policy;
- Gifts and Hospitality and Registering Interests Policy.

24 Annual Audit Letter 2017/18

The Head of Finance (Section 151 Officer) submitted a copy of the Annual Audit Letter 2017/18 prepared by the Council's external auditors KPG.

She said that it was a mandatory requirement for the external auditors to submit such a report. It was essentially a high-level summary of work carried out during the year and the issues referred to had all previously been reported to the Committee in more detail, so it contained no surprises.

Agreed that the Annual Audit Letter for 2017/18 from the External Auditor's KPMG, be noted and published on the Council's website.

25 Housing Benefit Subsidy Claim Audit 2016/17 Update

The Head of Finance (Section 151 Officer) provided a verbal update to the Committee on the latest position with regard to the Housing Benefit Subsidy Claim Audit 2016/17.

She reminded members that, as a consequence of extrapolations made from minor errors found by KPMG in a sample of twenty benefit cases reviewed during the 2016/17, overpaid subsidy of approximately £12,000 had been identified. The Department for Work and Pensions (DWP) had then stated that they required a different Cell to be sampled and KPMG had sampled a further forty cases. Unfortunately, from extrapolations made from those cases, it had been calculated that possible overpayments amounting to

approximately £92,000 had been identified. Despite it being established that this figure had been skewed by an error of just over £600 on a single case, which was out of proportion with any other errors which had been found, a letter had now been received from the DWP seeking recovery of the full amount of over claimed subsidy. The Head of Finance (Section 151 Officer) said that she was minded to challenge the claim, but she wanted to obtain further information and talk again to KPMG before deciding whether or not to do so. She said she would update the Committee at its next meeting.

Agreed that the current position be noted.

26 Date of next meeting

Agreed that the next meeting of the Committee be held at 6pm on Tuesday 12 March 2019.

The meeting started at 6pm and finished at 7.10pm.

Date of Publication: 20 November 2018.