

Audit Committee

Minutes of the meeting held on Monday, 15 April 2019

Present: Councillor Ahmed Ali (Chair) – in the Chair

Councillors: Lanchbury, Russell and A Simcock

Dr S Downs (Co-opted member)

Apologies: Councillors Connolly and Watson Dr D Barker (Co-opted member)

AC/19/17. Minutes

The minutes of the Audit Committee held on 11 March 2019 were submitted for approval.

Decision

To approve the minutes of the meeting held on 11 March 2019 as a correct record.

AC/19/18. Draft Annual Governance Statement (AGS)

Members considered the report of the Deputy Chief Executive and City Treasurer which set out the draft 2018/19 Annual Governance Statement (AGS). The Annual Governance Statement was produced following completion of the annual review of the Council's governance arrangements and systems of internal control. It was reported that the AGS had been considered by the Standards Committee.

In welcoming the report, a member suggested that all Council members should be provided with the AGS for the reason that it is useful in raising awareness of the Council's governance arrangements.

The Chair invited questions from the Committee.

A member referred to the Council's webpages and requested that the information contained on the 'Your Councillors' pages appeared to be duplicated and should be merged to one page. Reference was also made to the Council's Ethical Procurement Policy and officers were asked how robustly the policy is applied in the procurement of services.

It was reported that any external provider seeking to apply to the tender of goods and services to the Council is subject to a tendering process which requires the tenderer to demonstrate how it meets the Council's ethical procurement standards.

A member acknowledged and congratulated the positive involvement of officers involved in servicing Scrutiny Committees, referred to in the AGS, as part of the assessment of the robustness of the Council's corporate governance across

services.

A member referred to Section 6 of the AGS, and commented on the wording used in the Bheard Survey findings relating to 'strengthening the way the organisation's senior leadership team visibly demonstrate the behaviours'. The suggestion was made that the wording be amended to say "including strengthening the visibility of the way the organisation's senior leadership team demonstrate the behaviours".

Officers noted the comments and undertook to review the wording in advance of completing the final version of the AGS document.

A member referred to homecare contract governance under Action 3 of the document and requested officers to update the Council website to provide a clearer explanation of 'Electronic Call Monitoring' for the benefit of users.

Officers noted the comments made and reported that the Homecare Contract was not yet live and undertook to ensure that electronic call monitoring was given a clear description.

Members referred to Action 5 of the document regarding GDPR and the level of take-up of the e-learning module by Councillors and officers. The suggestion was made that a report be submitted to the Standards Committee on the number of Councillors that had completed the e-learning module.

Decisions

1. To note the draft 2018/19 Annual Governance Statement.
2. To delegate authority to the Chief Executive in consultation with Audit Committee members, to approve revisions to the AGS reflecting further progress against governance challenges made during the remainder of the 2018/19 financial year.
3. To note the comments raised by the Committee.
4. To recommend that officers submit a report to the Standards Committee to provide information on the take-up of the GDPR e-learning module by Councillors.

AC/19/19. Review of Effectiveness of Internal Audit

The Committee considered the report of the Deputy Chief Executive and City Treasurer which set out the process for the annual review of effectiveness of the Council's system of internal audit as part of its governance assurance processes. The process is designed to provide assurance to the Deputy Chief Executive and City Treasurer and the Audit Committee over the system of internal audit including the role, function and performance of the internal audit service.

The Chair invited questions from the Committee.

A member referred to the audit outputs issued to date and asked officers to explain why the number of audits for 2018/19 had reduced in comparison to previous years

and the reasons for this. Officers were asked to explain changes to the Audit Committee Terms of Reference regarding “impairment to independence or objectivity arising from additional roles outside of internal auditing of the Head of Internal Audit and Risk Management.

The Committee was informed that there had been three time consuming investigations that, although were carried out separately, were counted as a single output. Also, since 2016 there were now fewer standard compliance grant audits taking place that were quicker to complete. The development of the new audit approach had required time with members of the audit team which had been a factor in completing audit work. In addition, the point was made that the outputs from external counter fraud work undertaken is not recorded as an audit output. In view of the number available resource hours (2500 days) and the volume and complexity of the audits, it was anticipated work would increase, with approximately 120 audit outputs per year. The Head of Internal Audit and Risk Management explained that the change to the Terms of Reference was to provide clarity on his role and to enable him to not be involved in areas of audit work he may be responsible for.

A member referred to paragraph 3.8 of the report and asked officers why there was an intention to change the levels of assurance from five to four in 2019/20 as part of the revised audit approach. In reference to paragraph 3.9, officers were requested to send all audit report to Executive Members rather than a summary implementation of recommendations. The point was made that Executive members were part of the assurance reporting framework and must be included.

The Head of Internal Audit and Risk Management reported that the assurance levels had been amended to an even number to avoid setting ‘safe’ middle ground levels of assurance. Officers undertook to forward full audit reports and summary reports to Executive Members and this would be included within the Audit manual.

A member referred to the proposed revision to the Audit Committee Terms of Reference, Internal Audit and requested that the word “Review and” be inserted at the start of the second bullet point relating to the risk-based internal audit plan. Officers were also requested to retain paragraph 4.4 as detailed in the current Audit Committee Terms of Reference.

The Head of Internal Audit and Risk Management undertook to retain the words “Review and” in the proposed Terms of Reference, Internal Audit - second bullet point and to retain paragraph 4.4 of the current Audit Committee Terms of Reference in the proposed version of the Terms of Reference.

The Committee agreed that it was satisfied with the assurance provided by the review of effectiveness and management of improvement actions provided from the QAIP 2018/19 and planned actions for 2019/20, as detailed in Appendix 1 of the report.

Decisions

1. To note the report submitted and the comments made.

2. To note the amendments made in respect of the Audit Committee Terms of Reference, as detailed in Appendix 2 of the report submitted.
3. To approve the Internal Audit Charter, as detailed in Appendix 3 of the report submitted.
4. To request that a report is submitted to the Audit Committee in six months to provide details on the circulation of audit reports and summary reports to Executive Members.

AC/19/20. Head of Audit and Risk Management Annual Assurance Opinion

The Committee considered the report of the Head of Internal Audit and Risk Management which provided the Head of Audit and Risk Management's annual assurance opinion and reported on the Council's system of governance, risk management and internal control. The report was produced in accordance with the Public Sector Internal Standard 2450, which requires it to culminate in an annual audit opinion. The Head of Audit and Risk Management's provided a moderate annual assurance opinion on the Council's governance.

The Chair invited questions from the Committee.

A member asked what action the Council needed to take to improve the assurance opinion from moderate.

It was reported that further work was required to:

- The Adults Improvement Plan
- The Implementation of the ICT Disaster and Recovery Plan
- Prioritisation of scarce resources and on key priorities
- Focussing and a strong oversight on Council delivery on core services.

A member referred to the use of improvements plans in improving service areas and had this proved helpful in particular the attendance of Executive Members and service Directors to the Committee.

It was reported that the process of the Audit Committee making recommendations and inviting Executive Members and Officers to attend meetings to answer member questions had proved useful in improving focus on areas of service.

Decisions

1. To note the Head of Audit and Risk Management's Annual Assurance Opinion and Report.
2. To note the comments made on the report.

AC/19/21. Annual Internal Audit Plan

The Committee considered the report of the Deputy Chief Executive and City Treasurer and the Head of Internal Audit and Risk Management setting out the

Internal Audit Plan 2019/20. The Council has adopted the standards for internal audit set out by the Public Sector Internal Audit Standards (PSIAS). The Internal Audit Plan has been produced following consultation and requests made for audit work from key stakeholders.

The Chair invited questions from the Committee.

A member referred to the percentage of time spent investigating counter fraud which appeared to have risen from 20% to 30% and asked if this would be sufficient in helping the Council to improve its level of assurance.

It was reported that the level of resource invested in counter fraud work would need to be balanced but may increase to 30%, although it was noted that this would not be at the expense of other audit work. Some of the counter fraud work would be self-funding and re-invested into audit work.

A member asked if the 100 days identified as contingency for in year priorities and was this sufficient.

It was reported that 75-80 days had been left unallocated to deal with in year priorities, although any changes required to the Audit Plan would be referred to the Audit Committee for consideration.

A member referred to the AGS and asked if other areas such as supporting attendance management, performance management and ensuring staff appraisal had a higher priority to help reduce misconduct investigations.

The Head of Internal Audit and Risk Management undertook to consider including a piece of work on attendance and management performance.

A member referred to counter fraud and the risk based nature of the Audit Plan and asked officers why those audit areas were not included within the Council's Risk Register and other areas were audited.

It was reported that not all areas with potential significant financial or reputational risk were considered as a corporate risk would be included. A report would be submitted in Quarter 3 to provide information of a broader assurance. In addition, the issue of making officers aware of counter fraud issues could be raised as part of officer training in financial related areas of service.

Decisions

1. To note the report submitted and the comments raised.
2. To approve the Annual Audit Plan 2019/20.

AC/19/22. Audit Committee Progress Report and Technical Update

The Committee considered the report of Council's External Auditors (Mazars) which provided an update on the progress made in delivering its responsibilities. The

report included information on key emerging national issues and developments.

Decision

To note the report submitted.

AC/19/23. Work Programme and Audit Committee Recommendations Monitor

The report of the Governance and Scrutiny Support Unit which contained responses to previous recommendations was submitted for comment. Members were also invited to agree the Committee's future work programme.

The Head of Internal Audit and Risk Management reported that the Work Programme would be refreshed for the next municipal year.

It was reported that changes to the Committee's Terms of Reference would be subject to the approval of changes to the Council Constitution by Council.

Decision

To note that the Work Programme and Recommendations Monitor will be updated for the next meeting of the Audit Committee.