

AUDIT COMMITTEE

Date and Time: 26 March 2019 at 7pm

Place: Committee Room 1, Civic Offices, Fleet

Present:

COUNCILLORS

Blewett, Burchfield, Crookes, Makepeace-Browne

In attendance:

Officers:

Andrew Vallance	Head of Corporate Services and Section 151 Officer
Neil Carpenter	Audit Manager
Kevin Suter	Ernst & Young
Justine Thorpe	Ernst & Young
Stephen Dalton	Capita
Jo Leith	Capita

21 MINUTES OF THE PREVIOUS MEETING

The Minutes of the meeting held on 23 October 2018 were confirmed and signed as a correct record.

22 APOLOGIES FOR ABSENCE

Apologies for absence had been received from Councillors Axam and Kennett.

23 CHAIRMANS ANNOUNCEMENTS

Councillor Burchfield chaired the meeting in the absence of Councillor Axam.

24 DECLARATIONS OF INTEREST

None

25 INTERNAL AUDIT PROGRESS REPORT 2018/19 Q4

Members were updated on the Internal Audit work carried out between October 2018 and March 2019.

During this period reports were issued for Payroll, IT Controls, Housing Benefit, Parking Income, Accounts Receivable, Income Management and Main Accounting.

Capita attended the meeting to provide an update on the improvements that will be made to the internal controls in place for Payroll and the IT Environment.

Payroll

Capita stated that improvements have been made to the internal control environment for the payroll Function since the completion of the audit review. These include:

- An enhanced validation process has been established to reduce the number of payroll errors across the 5 Councils contract.
- Key Performance Indicators are now being met.
- A close working relationship is being established with the 5 Councils Central Client Team.
- The Payroll and HR Team based in Belfast has been restructured to ensure the 5 Councils contract is sufficiently resourced. This includes an additional Manager post.
- Data is properly secured.
- On-going discussions are taking place to resolve firewall issues that would allow better access to the HR and Payroll system.

Capita believe that the internal controls in place are sufficiently robust to ensure the number of errors are now being minimised. We will work with Internal Audit to ensure the 2019/20 payroll Review has a better outcome.

IT Controls

Capita confirmed that the transition to the new 5 Councils IT Environment has had an impact on the effectiveness of controls in place. Work has now started to address the control weaknesses identified by Internal Audit.

It was noted that an IT Health Check has now been carried out by an independent security specialist. The report identified control weaknesses that Capita are now working on to resolve.

It was agreed that once all actions required to mitigate vulnerabilities identified by the IT Health Check have been completed the control environment will have improved. There will be a further review of the IT control environment as part of Internal Audit's planned work for 2019/20.

Housing Benefit

The Audit Manager highlighted the two main areas of weakness identified during the 2018/19 Internal Audit review, these being the recovery of overpayments, and the lack of quality checking of claims for part of the year.

Parking Income

No issues discussed

Accounts Receivable

The Audit Manager highlighted the need for further recovery options to be considered once outstanding debt had been through the recovery process provided by Capita.

Income Management

It was noted that a plan is to be provided by Capita on moving the Cash Office off-site to either Havant or Mendip. It was agreed that once the Council has received the plan it should be provided to Overview and Scrutiny for review.

Main Accounting

No issues discussed.

DECISION

That the Internal Audit work completed between October 2018 and March 2019 be noted.

26 CERTIFICATION OF CLAIMS AND RETURNS ANNUAL REPORT 2017-18

Members received the results of the Certification work carried out on the Council's Housing Benefit Subsidy Claim for 2017/18.

Ernst & Young provided an unqualified opinion on the Housing Benefit Grant Claim for 2017/18. They provided a summary of the results of their testing and stated that their work has resulted in a good outcome for the Council.

DECISION

The report was noted.

27 EXTERNAL AUDIT PLAN FOR THE YEAR ENDING 31 MARCH 2019

Members considered the content of the External Audit Plan for the year ending 31 March 2019.

Ernst & Young summarised the key audit risks that will be reviewed as part of the 2018/19 audit. These can be summarised as:

- Misstatements due to fraud and error;
- Risk of incorrect capitalisation of revenue expenditure;
- Risk of management override;
- The treatment of Calthorpe Park Sports Hall;
- IFRS 9 Financial instruments.

There is also a requirement to consider the arrangements that are in place to secure value for money. This element of work will include an understanding of the revised 5 Councils Partnership and Inter Authority Agreement.

DECISION

The report was noted.

28 RISK UPDATE REPORT

Members considered the report providing an update on the effectiveness of the Council's risk management framework.

The Committee reviewed the arrangements in place to demonstrate that there is an effective risk management framework in place. Whilst the framework is considered to be satisfactory, it was agreed that improvements could be made on the ownership of risk by management.

It was agreed that further thought is given on how the ownership of risk could be improved and improving links between Service Boards, Overview and Scrutiny Committee and the Audit Committee.

DECISION

The Committee noted the effectiveness of the risk management framework.

29 INTERNAL AUDIT REPORTING

The Committee received the report detailing the proposed change to the way Internal Audit report findings.

The Committee considered the change in the way Internal Audit will report their findings from audit reviews.

The proposals from the Audit Manager were agreed, with the addition that where management make a decision to accept risk, that these instances are reported to the Audit Committee for review.

DECISION

The Committee approved the proposed changes to the internal audit report process.

30. INTERNAL AUDIT PLAN 2019/20

Members considered the content of the 2019/20 Internal Audit Plan.

The Committee requested that a review of Planning Policy is included in the plan; this was agreed with the Audit Manager. It was also agreed that the Leisure Contract Management Review is taken out of the plan and is replaced by Planning Policy.

DECISION

Members approved the content of the 2019/20 Internal Audit Plan.

31. ANNUAL REPORT OF THE AUDIT COMMITTEE 2018/19

Members considered the work carried out by the Council's Audit Committee, together with details of how the Committee fulfilled its Terms of Reference and responsibilities during 2018/19.

It was agreed that prior to the report being sent to Full Council, that where possible the report should include more detail on outcomes.

DECISION

The Annual Report of the Audit Committee 2018/19 was noted and is to be forwarded to full Council for endorsement.

32. AUDIT COMMITTEE WORK PROGRAMME 2019/20

Members considered and updated the Audit Committee Work Programme for 2019/20.

33. AUDIT COMMITTEE ACTION LOG

The Audit Committee Action Log was considered and updated.

The meeting closed at 8.45 pm