

## AUDIT AND GOVERNANCE COMMITTEE MINUTES - 19 APRIL 2016

**Present:** Councillor Stevens (Chair), Debs Absolom, Lovelock, McElligott, Page, Steele & Terry.

**Also in attendance:**

Alan Cross	Head of Finance
Paul Harrington	Chief Auditor
Ian Wardle	Managing Director
Helen McMullen	Director of Children, Education and Early Help Services
Katherine Peddie	Head of Governance & Transformation, DCEEHS
Maria Grindley	Director and Engagement Lead, EY LLP
Alan Witty	Engagement Senior Manager, EY LLP
Michael Popham	Democratic Services Manager

### 17. MINUTES

The Minutes of the meeting of 28 January 2016 were confirmed as a correct record and signed by the Chair, subject to the following amendment:

Minute 14. Add an additional sentence to the preamble: *“Regarding Health and Safety Training, it was proposed that a follow-up report be presented to a future meeting to provide assurance that measures were in place to avoid recurrence of incidents such as the recent case at The Willows.”* Add a new resolution: *“(3) That progress on Health and Safety training assurance be reported to a future meeting.”*

### 18. DCEEH QUALITY ASSURANCE FRAMEWORK

Further to Minute 14 of the meeting held on 28 January 2016 and Minute 38 of the meeting of the Adult Social Care, Children’s Services & Education Committee held on 3 February 2016, the Director of Children Education and Early Help Services submitted a report on the refreshed Quality Assurance Framework that had been developed under the guidance of the Children’s Services Improvement Board for use within the Children, Education and Early Help Directorate. The report explained that the framework strengthened the audit process for the Directorate which would ensure the quality of case work and case-file management across children’s social care and ensure:

- Vulnerable children, young people and their families’ outcomes were improved;
- Services were achieving consistently high standards;
- Services were regularly monitored, reviewed and evaluated;
- The organizational culture was committed to learning and continual development;
- The continuous improvement and development of the children’s care workforce.

In discussion it was reported that the Quality Assurance Board had met for the first time earlier that week and that the report author and Internal Audit team would discuss how the corporate audit framework should engage with the DCEEHS case-file audit process.

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**Resolved:** That the Quality Assurance Framework for use in Children, Education and Early Help Directorate be welcomed and noted.

### **19. AUDIT & INVESTIGATIONS QUARTERLY PROGRESS REPORT**

The Chief Auditor submitted a report providing the Committee with an update on key findings emanating from Internal Audit reports issued since the last quarterly progress report in January 2016.

The report set out a summary of the audit reports in respect of Foster & Adoption Allowances, Homelessness, and Local Sustainable Transport Fund Grant Sign-Off; it outlined the findings of two school audits, three audit follow-up reviews, and seven audit investigations.

Progress made in implementing actions reported in the 2014/15 Annual Governance Statement Action Plan was set out in Appendix 1 to the report.

In discussion on the investigation of Blue Badge fraud, it was noted that six successful prosecutions had been brought during the year and it was requested that a more detailed report on this be prepared for the Traffic Management Sub-Committee, to raise public awareness of the enforcement of this scheme.

**Resolved:** That the report be noted.

### **20. DRAFT INTERNAL AUDIT PLAN**

The Chief Auditor submitted a report setting out the work that Internal Audit planned to undertake during the financial year 2016/17. The Indicative Internal Audit Plan was attached as Appendix A to the report.

The report explained that Internal Audit was responsible for forming opinions about the risks and controls identified by management and annually to give a formal opinion on the control environment. It stated that in the context of the Public Sector Internal Audit Standards, 'opinion' did not mean simply a view, comment, or observation; it meant that Internal Audit would have done sufficient, evidenced work to form a supportable conclusion about the Council's activities they had examined.

In discussion it was noted that while it was normal practice to seek to agree a convenient date for an audit with the service team, unannounced spot-checks were used when appropriate to an investigation.

**Resolved:** That the Internal Audit Plan for the period April 2016 to March 2017 be approved.

### **21. IMPACT OF REVISED MINIMUM REVENUE PROVISION POLICY FROM 2017/18**

The Head of Finance submitted a report providing information enabling the Committee to undertake a review of a matter referred to it by the Council Meeting on 23 February 2016 (Minute 46 refers).

The report explained that the Council was required to set a Minimum Revenue Provision (MRP) policy each year, setting out its approach to debt repayment and that as part of the budget strategy for 2016/17 a revised MRP policy had been agreed by

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the Council. It explained that the previous policy that included repaying historic debt at 4% per annum of the balance had been revised by reducing the repayment rate to 2% per annum with a fixed repayment period of 50 years after a transitional period explained in the report; and that on an approved amendment, the Council had agreed to adopt this revised policy only for 2015/16 and 2016/17, with later years subject to review by the Audit & Governance Committee.

The approved amendment to the Council Budget Resolution from 23 February 2016 was attached as Appendix A to the report.

The report explained the background to the revised MRP policy and provided detailed advice on the following matters:

- i) The additional overall cost of the revised policy;
- ii) The guidance regarding the length of asset lives;
- iii) A 'prudent' MRP in the light of the prevailing interest rates.

The report explained that the general effect of the revised MRP policy was to reduce the Council's debt repayment costs over the next decade by about £9.2m, with the impact that in the medium term the Council's overall debt would be higher up to around 2037 by £6.1m per annum, on average, at a total interest cost over that period of £4.6m; about £220,000 per annum on average.

Based on these estimates, the report provided a figure of £12.3m for the additional costs of the policy over a 40 year period at an average of £510,000 per annum until the mid-2030s and a reduced amount after that. In terms of the benefit, the Council would repay less debt of about £14.1m by 2019/20 (the period of the present Parliament for which the government had set the spending in the grant settlement).

In discussion the Committee noted that the Council had adopted a pragmatic approach to the management of the Council's debt in the short-term, given the current financial settlement. Members noted that the MRP policy was set annually and it would be possible to adjust it in future.

**Resolved:** That the Administration be advised that the Committee accepted the rationale for adopting the current MRP policy, provided that the policy would be actively reconsidered on a regular basis, having regard to the prevailing economic and fiscal conditions at the time.

## 22. EXTERNAL AUDIT ARRANGEMENTS AFTER 2017/18

The Head of Finance submitted a report explaining the latest position in relation to the requirement in the Local Audit & Accountability Act 2014 for the Council to eventually appoint its own external auditor. The report explained that the Department for Communities and Local Government had recently exercised its contract rights to extend by one year the two-year initial contract that had been agreed and therefore EY would continue to be the Council's auditor until the completion of the 2017/18 audit and a new appointment would be needed for 2018/19.

The report made an initial non-binding recommendation that the Council should

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participate in a sector-led body arrangement by using the services of Public Sector Appointments Limited, a company incorporated by the Local Government Association to carry out selection of auditors on behalf of local authorities.

**Resolved:** That the proposal to ask Public Sector Appointments Ltd to assist with the appointment of an external auditor for the 2018/19 and subsequent accounts, be approved in principle.

### **23. EXTERNAL AUDIT PLAN UPDATE**

Further to Minute 12 of the meeting held 28 January 2016, the Head of Finance submitted a report introducing the external auditor's updated Audit Plan.

Maria Grindley, the EY Director responsible for engagement with the Council, presented the updated Audit Plan, which had been adjusted to reflect revised Value for Money criteria and an update on EY's assessment of the Council's control and financial processes. She advised that EY hoped to be able to report at the next meeting on the IT controls in the Academy system. She looked forward to working closely with the Council on delivering financial resilience and facing the challenges ahead.

**Resolved:** That the updated Audit Plan be noted.

(The meeting started at 6.30pm and closed at 7.51pm).