

MINUTES of the meeting of the Standards and Audit Committee held on 26 June 2013 at 7.00pm

Present: Councillors Tunde Ojetola (Chair), Martin Healy, Cathy Kent, Simon Wotton and Terry Hipsey

Independent Members: Stephen Rosser

Apologies: Councillor Yash Gupta, Jason Oliver and Debbie Hanson

In attendance: Martin Hone – Director of Finance and Corporate Governance
Sean Clark – Head of Corporate Finance
Chris Harris – Head of Internal Audit RSM Tenon
Gary Clifford – Client Manager for Audit Services RSM Tenon
Andy Owen – Risk and Performance Officer
Jackie Hinchliffe – Head of HR, OD & Customer Strategy
Michelle Thompson – Lands Manager
Wendy Borgartz- Ernst and Young
Kenna-Victoria Martin – Democratic Services

1 MINUTES OF THE PREVIOUS MEETING

The Minutes of the Standards and Audit Committee, held on 18 April 2013, were approved as a correct record, subject to the following:

External Audit: Audit Plan

Current wording

Members were advised there were no significant regulatory requirements to the code and that the audit plan required that all assets....

Suggested wording

Members were advised there were no significant regulatory requirements to the accounting code and that the code required that all assets....

The Chair took the opportunity to raise concern that neither he nor the Vice-Chair had seen an amended copy of the response to the external auditor's question (question 6) nor had they seen a draft copy of the draft financial statement. The Chair also queried as to why the Committee had not received a letter from the Education team with regards to the Manor school issues.

2 ITEMS OF URGENT BUSINESS

There were no such items.

3 DECLARATIONS OF INTEREST

The Chair declared a non-pecuniary interest in that he sat on the Assets Working Group.

4 REVIEW OF THE STRATEGIC/ CORPORATE RISK AND OPPORTUNITY REGISTER - 1ST QUARTER

The Performance and Risk Officer introduced the report, which outlined the review of the risk and opportunity register which took place between April and May 2013. A summary of the risks and opportunities In Focus and the management response arrangements for the items was included within the report. A copy of the full register was made available to Members in the Members library.

It was enquired as to why there had been an increase of risk in Risk 8, Transformation Programme. The Head of HR, OD & Customer Strategy explained that the risk had been elevated for this reporting period primarily due to timings changing within the programme. It was further explained that stronger governance was now in place.

Members raised concerns that there had been an increase in Risk 5, Sickness Absence. Officers informed the Committee that early indications showed that Sickness Absence was higher than the previous year; therefore it was decided to inflate the risk level to ensure an appropriate response.

The Committee discussed the report and came to the conclusion that little attendance from Officers their questions could not be answered in full detail; therefore it was asked that the report be deferred to the next Committee on the 18 July 2013, where lead officers for the key items on the register will be invited to attend to answer questions from the committee.

Resolved that the report be deferred to the next Committee on the 18 July 2013.

5 DRAFT INTERNAL AUDIT CHARTER

The Client Manager for Audit Services introduced the report and explained to the Committee that the Internal Audit Charter was a formal document that defined the internal audit activity's purpose, authority and responsibility.

It was further explained to Members that the Internal Audit Charter established internal audit activity's position within the Council, including the nature of the Head of Internal Audit's functional reporting relationship with the Standards & Audit Committee. Members enquired as to whether it would be possible to add a follow-up action plan to the charter, officers confirmed it was possible.

Following discussions regarding that the Chair of the Committee had been asked to sign the Audit Charter, it was decided that following legal advice the chair of the Committee would decide whether or not he would sign the document.

Resolved that

- i) The Standards & Audit Committee approve the Draft Internal Audit Charter and following Legal Advice the Chair of the Standards & Audit Committee signs the Charter on behalf of the Committee**
- ii) That the signature of Section 151 Officer be added to the Charter.**

6 DRAFT INTERNAL AUDIT PROTOCOL 2013

The Client Manager for Audit Services explained to the Committee that the last Internal Audit Protocol was agreed in 2007 and that the protocol had been refreshed.

The Committee were informed that the Internal Audit Protocol which gives some general guidance on responsibilities of Members, Officers and the Internal Audit team. It also provided detailed guidance on specific issues around the Internal Audit processes, such as turnaround times for reports and the timeliness of management responses.

It was explained that all Red opinion reports were now to be seen by the relevant Director, Chief Executive, Monitoring Officer and Section 151 Officer. Members were informed that any Red opinion reports would go to Directors Board at the request of the Chief Executive.

Resolved that the Standards & Audit Committee noted the Internal Audit Protocol.

7 DRAFT STRATEGY FOR INTERNAL AUDIT 2013/14 TO 2015/16 AND DRAFT ANNUAL PLAN 2013/14

The Director of RSM Tenon introduced the report informing the Committee that as part of RSM Tenon's contract with the Council, it was agreed that an Audit Needs Assessment (ANA) would be carried out on an annual basis with senior management, from this ANA a three year strategy and an annual audit plan are produced

Members were notified that to prepare the annual plan internal audit took in to account previous audits and the Councils risks. The plan had been agreed with the Director of Finance and Corporate Governance and the head of Corporate Finance.

It was further explained that processes were in place to ensure a high level of quality would be in place and that reports go to meetings of Directors Board.

The Committee enquired as to the timings on the plan stating to be arranged and to be confirmed, Officers explained that until the draft plan had been agreed then officers could not plan the timings for the year. Members followed with a query as to how and who decided the length of time was spend on an area. Officers informed the Committee that they decided how long each area of work would take based on the size of the organisation and their expertise.

Following discussions it was decided that the first bullet point non page 71 of the agenda would read *“a contingency allocation, which will only be utilised should the need arise, for example, for unplanned and ad-hoc work and will be subject to prior approval by the S151 Officer in consultation with the Chair of the Standards & Audit Committee”*

Resolved that the Standards and Committee:

- i) Received the Draft Strategy for Internal Audit 2013/14 to 2015/17 and agreed the Draft Annual Audit Plan 2013/14**
- ii) Receive a copy of the report on Horses and Green Grass at the next available meeting.**

8 KEY FINANCIAL STATEMENT ISSUES

The Head of Corporate Finance took the opportunity to explain to the Committee that although there had been key issues in the past these had now come down to a hand full of issues:

- The technical knowhow of staff, training courses were given and Ernst and Young were commissioned to give a tailored training session to suit Thurrock Council, with one on one support offered at the end of the session.
- The Chart of Accounts was now improved so that most of the work was done by the Oracle System,
- Revaluations were carried out before the 31 March meaning that the external auditors receive an early view of the revaluations,
- The quality of working papers were now of higher standards.

The report was then introduced to the Committee, informing them that the report was Member lead as questions from the previous Committee could not be answered.

Members were advised that the basis of carrying out a valuation were on pages 90/91 of the agenda. Officers continued to explain that the total revaluation loss (Property, Plant and Equipment (PPE)) for the year came to the value of £1.988million this was further broken down for the Committee:

- Movement on Council Dwellings: £77.110m valuation increase
- Movement on Other Land & Buildings: £79.098m valuation decrease

The Committee were then taken through the General Fund Balance and Reserves and the following points were made:

- Council was able to maintain the £8million as a general fund balance
- Two new reserves had been set up to meet the commitments within the 2013/14 budget, £1million for schools improvements and £0.3million for working with NEETS;
- Funding which was set aside at the beginning of 2012/13 for demographic growth had been maintained;
- In line with Cabinet commitment new reserves were set up to carry forward unspent budgets for regeneration and organisational development.

Members enquired as to how confident officers were with the revaluation work which was undertaken was now correct, officers confirmed that they were confident with the revaluation work which had been completed this year.

9 AUDIT AND CERTIFICATION FEES 2013-14

The Councils External Auditor explained that this was a short letter with a high level summary the audit fee for 2013/14. The Committee were informed that the letter explained in summary the audit fee and the outline work to be completed.

Members were informed that the detailed Audit Plan was likely to be brought to the Committee in February 2014 for Members information.

The Committee were notified that the planned Code Audit fee for 2013/14 was the same as 2012/13, however the certification fee for 2013/14 was slightly lower due to the amount of grant claims.

Members raised concerns as to the fact, that the Audit fees were set at the same fee as 2012/13 and queried whether the External Auditors had the same concerns for this year as they did for the last year. The Committee were informed that the fees for both 2012/13 and 2013/14 had been set at the scale fee, however should the auditors find any unidentified risks then the fee maybe increased.

The Committee queried that should the work undertaken be better than expected, would the fees be reduced and how the scale fees were set. Members were informed that the scale fee was set by the Audit Commission and was based on previous risks within the Authority and the improvements which had been made. The Committee were notified that the Audit fees could

decrease and well as increase, however as the Audit Plan had not as yet been agreed it was decided to use the scale fee set by the Audit Commission.

Resolved that the Standards and Audit Committee noted the report.

10 WORK PROGRAMME

Members discussed the work programme for the municipal year and the following was included:

Financial Statement and Annual Governance Statement – **July/September**
Review of the Strategic/ Corporate Risk and Opportunity Register - 1st Quarter
– **Deferred to July**
External Audit Progress Report – **July**
External Audit ISA260 Report - **September**
External Audit WGA Certificate – **September**

The meeting finished at 9.24pm.

Approved as a true and correct record

CHAIRMAN

DATE

**Any queries regarding these Minutes, please contact
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or alternatively e-mail kmartin@thurrock.gov.uk**