
AUDIT COMMITTEE

Monday, 27th June, 2016

Present: Councillor , Councillors Diane Fielding (Vice Chair), Julie Livesey, Bernadette Parkinson, Stephen Button and Miles Parkinson

Apologies Councillor Noordad Aziz and Joe McIntyre

52 Apologies for Absence, Declarations of Interest, Dispensations and Substitutions

Apologies for absence were submitted from HBC Deputy Chief Executive, Joe McIntyre and Councillor Noordad Aziz.

Councillor Glen Harrison was not present at the meeting and had not submitted his apologies.

Councillor Miles Parkinson acted as substitute representative for Councillor Aziz.

There were no reported declarations of interest or dispensations although Councillor Miles Parkinson would not be voting on any of the agenda items as he was a member of the Cabinet and the Audit Committee acted independently to the Executive.

53 Minutes of the Last Meeting

The minutes of the last meeting held on the 21st March 2016 were submitted for approval.

Resolved - **That the minutes be received and approved as a correct record.**

54 Risk Management Monitoring Report and Partnership Review

The Corporate Performance Manager, Mike Walker, presented a report which informed the Committee of the outcome of the review of the Operational Risk Register and the annual review of partnerships.

There had been no major changes made to the Operational, Generic and Strategic Risk Registers during the review but there had been a number of minor changes made to the Operational Risk Register which were detailed in Appendix 1 of the report.

A summary of all risks contained in the three registers were detailed in Appendix 2 of the report

The list of partnerships was detailed in Appendix 3 of the report and was prepared in March 2016 as a request from HBC's external auditors.

Councillor Miles Parkinson asked if ICT should have a risk included if a computer programme failed and an external person was required to solve the problem. The Corporate Performance Manager reported this was not listed in the register but would speak to the Head of ICT about the issue.

A strategic risk which may be added and would be passed to Joe McIntyre was the potential impact of the EU referendum and the risk to HBC which included pensions.

Resolved - That Audit Committee noted the contents of the report.

55 Annual Internal Audit Report & Audit Opinion 2015/16

The Head of Audit and Investigations, Mark Beard, submitted a report to inform Members of the Annual Internal Audit Report and Audit Opinion for 2015/16 and to give details on the performance of the internal audit team and final outturn position for 2015/16.

The production of an annual internal audit report was a requirement of the public sector internal standards and it enables those charged with governance to gain an independent viewpoint on the Council's control environment.

The average opinion score in 2015/16 was 1.52 as opposed to 1.18 in 2014/15. This is based on a scale of 1 to 4 where 1 is the highest level of assurance and 4 is the lowest level of assurance.

Table 2 in the report detailed the assurance opinions (Comprehensive, substantial, limited and no assurance) and how many were issued in 2015/16.

Table 3 in the report detailed the satisfaction and quality questionnaire results for 2015/16 and included the comparative results for 2014/15 and 2013/14.

The number of completed audit assignments increased from 22 to 29 which was a 31.82% increase on 2014.15. The use of audit time for 2015/16 was reported in table 5 of the report and this was based on actual time spent excluding both statutory/annual leave and sickness absence.

Target coverage for the 2015/16 Audit Plan was 98% and 101.69% was achieved. This is the highest out-turn performance figure that had been achieved by Internal Audit Team at HBC.

Resolved - That the report be noted for informational purposes.

56 Public Sector Internal Audit Standards Self-Assessment and Quality Assurance & Improvement Programme

The Head of Audit and Investigations submitted a report to inform members of the updated self-assessment of the Public Sector Internal Audit Standards (PSIAS) and also the Quality Assurance and Improvement Programme (QAIP) which set out how HBC manage any standards that are not compliant, thus ensuring conformance with the PSIAAs overall.

Appendix 1 of the report contained a CIPFA checklist for assessing conformance with the PSIAS and the local government application note. The PSIAS checklist considers 323 individual tasks and areas that internal audit must comply with and the self-assessment highlighted that 19 were not applicable to internal audit at HBC. Of the remaining 313, the internal audit team was 96.49% compliant (302).

Appendix 2 contained the internal audit, public sector internal audit standards with the quality assurance and improvement programme. The QAIP had been rechecked and revised to reflect the changes from the self-assessment. Of the 11 areas not compliant, 6 are partially compliant and 5 are not compliant.

Councillor Miles Parkinson commented on LCC making cuts impacting upon district councils to provide services and would this be factor for HBC to consider. The Head of Audit and Investigations would make a note of this and investigate the matter.

Resolved - **That Audit Committee noted the report and updated PSIAS Self-Assessment along with the updated QAIP.**

57 Audit Reports & Key Issues- Progress Report for the Period April- June 2016

The Head of Audit and Investigations submitted a report to inform members of the Audit Committee of Audit Reports issued during the period April- June 2016 and bring to the attention of the Committee what the key issues were.

There was a target of 98% of the audit plan to be completed by the end of the current financial year in terms of audit days completed. The figures contained in the report gave updated details to the end of February 2016 and the projected out turn position for 2016/17.

A summary of the main issues arising from audits carried out between April- June 2016 was attached to Appendix 1 of the report and detailed both substantial and comprehensive assurance in the following areas:

- Members Allowances
- Refundable Allotment Deposits

There were also no issues arising from audits carried out in the following areas:

- Health and Safety
- Asset Management

Resolved - **That the report be noted for informational purposes.**

58 Accounting Policies and Public Inspection of the Accounts

The Head of Accountancy submitted a report to request approval from members of the Audit Committee of the accounting principles which are used to prepare the statement of accounts for the financial year 2015/16 and to inform the Committee of the revised arrangements for the public inspection of the accounts.

Appendix A of the report detailed the accounting policies which included the general principles and there was no significant change from those adopted in 2014/15 except for the use of fair value which was also explained in the report.

Resolved (1) **That Audit Committee approved the accounting principles on which the 2015/16 accounts are prepared; and**

(2) **That Audit Committee notes the new rights of public inspection.**

59 Capital Outturn Report 2015/16

The Head of Accountancy submitted a report to set out the financial spend on the Council's capital projects for 2015/16. It included a proposed list of changes to the 2016/17 Capital

Programme i.e. slippage from the previous year. The slippage will be funded from the amounts not spent but authorised in 2015/16.

Appendix A of the report was a Cabinet report dated 8th June 2016 which set out the background and detail to the capital programme. It explained the circumstances surrounding the slippage. The report was approved by Cabinet and now under the Constitution the capital slippage of £998,328 requires Audit Committee approval. Approval will see the capital schemes continue in 2016/17.

Councillor Miles Parkinson took no part in the determination of the above agenda item.

Resolved - **That Audit Committee approved the capital items of slippage from the 2015/16 programme.**

60 Draft Statement of Accounts 2015/16

The Head of Accountancy submitted a report to inform Audit Committee Members of the outcome of draft Statement of Accounts 2015/16 for Hyndburn Borough Council.

The Council's draft SOA 2015/16 was attached to the agenda as appendix A which included the annual governance statement and provided details in the report following areas.

- Movement in Reserves Statement
- Comprehensive Income and Expenditure Statement
- Balance Sheet
- Cash Flow Statement
- Collection Fund

Grant Thornton will undertake the external audit and report back to the Audit Committee at a future meeting with a report on the accounts which would have been approved and required signing off.

Resolved - **That Audit Committee notes the Council's draft statement of Accounts for 2015/16.**

Urgent Business

The Chair was of the opinion that the following items should be considered as urgent, in accordance with Section 100b (4) of the Local Government Act 1972, due to the reports being unavailable by the deadlines imposed to publish the agenda in line with legal regulations.

61 Grant Thornton - Planned Audit Fee for 2016/17

Karen Murray of Grant Thornton, the Council's external auditors, submitted a report to inform Members of the audit fee for Hyndburn Borough Council and the scope and timing of work for 2016/17. The scale of the fee had been set by PSAA at £46,927 and this was unchanged from the previous year.

Resolved - **That Audit Committee notes the letter.**

62 Grant Thornton- Audit Committee Progress and Update for HBC

Tommy Rooney of Grant Thornton, the Council's external auditors, submitted a report which set out progress in delivering Grant Thornton's responsibilities as external auditors. It included an update as of the 8th June 2016 on various items of 2015/16 work. Other items covered were information that may be relevant to the Council such as fighting fraud and corruption locally and building a successful joint venture company.

Resolved - **That Audit notes the letter.**

63 Grant Thornton - The Audit Plan for Hyndburn Borough Council

Karen Murray of Grant Thornton, the Council's external auditors informed members of the committee with a report on the audit plan for HBC which set out for the benefit of those charged with governance an overview of the planned scope and timing of the audit as required by international standard on auditing.

The report helped aided Members to understand the consequences of the workload and discuss issues of risk and the concept of materiality along with identifying areas upon request to undertake additional procedures.

The main responsibilities of Grant Thornton under the code of practice issued by the National Audit Office are to give an opinion on the Council's financial statements and satisfy themselves that the Council had made proper arrangements for securing economy, efficiency and effectiveness in HBC'S use of resources.

The value for money conclusion was detailed which covered informed decision making, sustainable resource deployment and working with partners and other third parties.

Resolved - **That the report be noted for informational purposes.**

64 Time/Date/Venue of Next Meeting of Committee

Resolved - **That the next meeting of the Audit Committee be held on Monday, 19th September 2016 at 5.30 pm in the Queen Elizabeth Room at Scaitcliffe House.**

Signed:.....

Date:

Chair of the meeting
At which the minutes were confirmed