

MINUTES OF: THE AUDIT AND ACCOUNTS COMMITTEE

Date of Meeting: 15th March, 2016

**PRESENT: Councillor Knowles (Chair)
Councillors Essex, Kempson, Oakes, M Smith and Steen**

**IN ATTENDANCE: Mr P Seddon, Head of Finance and Property Services
Ms K Murray, Audit Director, Grant Thornton
Ms H Green, Audit Manager, Grant Thornton
Ms S Iqbal, Executive, Grant Thornton
Ms R Lowry, Head of Internal Audit, Lancashire County Council
Mr Carl North, Audit Manager, Lancashire County Council
Miss M Hargreaves, Committee and Member Services Officer**

**ALSO PRESENT: 3 members of the public
Councillors Cheetham and Haworth**

1. CHAIR'S INTRODUCTION

1.1 The Chair welcomed everyone to the meeting.

2. APOLOGIES FOR ABSENCE

2.1 Apologies had been received from Mr Mumtaz Ali, Co-opted Member and also Councillor Hughes.

3. MINUTES OF THE MEETING HELD ON 1st DECEMBER, 2015

Resolved:

The minutes of the meeting held on 1st December, 2015 were agreed as a correct record.

4. URGENT ITEMS OF BUSINESS

4.1 The Chair confirmed that there were no urgent items of business.

5. DECLARATIONS OF INTEREST

Councillors Essex, Knowles and Oakes declared that they were directors of Rossendale Transport Company. Councillor Oakes also declared that she was also a member on the LCC Pension Committee.

6. PUBLIC QUESTION TIME

- 6.1 The Chair agreed to deviate from the procedure for public speaking and allow members of public present to ask questions as items on the agenda were presented. Members of the public were permitted to ask questions on items not on the agenda at this point in the meeting.
- 6.2 There were no public questions at this stage of the meeting.

7. CHAIR'S UPDATE

- 7.1 The Chair informed the committee that Peter Evans had retired as a councillor and Councillor Karl Kempson had replaced his seat on the committee. The Chair thanked Peter for all his work and his dedication to the Audit and Accounts Committee.
- 7.2 The Chair informed the committee that this would be his last Audit and Accounts Committee as he would not be re-standing in the May elections. He thanked officers, Phil Seddon and Michelle Hargreaves for their support and also the Auditors for their contributions.

8. ANNUAL INTERNAL AUDIT PROGRESS REPORT FOR THE PERIOD TO 29th FEBRUARY, 2016

- 8.1 The Head of Internal Audit (LCC) outlined the Internal Audit Report for 2014/15 which provided members with a summary of the works undertaken during the eleven months of the year to 29 February 2016 by the council's Internal Audit Service as part of the internal audit plan for 2015/16, and also provided an update on the 2014/15 audit reports.
- 8.2 It was noted that there were two key issues these being the work on the Empty Homes Programme, it was noted the council was working robustly on the issues raised by this. It was also noted that progress on implementing improvements to several of the council's control systems was slower than anticipated and the outstanding actions were appended with the report.
- 8.3 There had been 138.5 days spent delivering the 2015/16 audit plan.
- 8.4 In relation to the National Fraud Initiative (NFI) it was noted that this had been an ongoing exercise throughout 2015/16 and the investigation and follow up of the data matches had been overseen by the NFI contact. It was noted that this process was completed every few years.
- 8.5 At the meeting in September 2015, a request was made for details to be provided for actions that were outstanding. These were appended with the report.

8.6 The Chair informed the committee that it was recognised that there were a number of actions still outstanding/ongoing. It was decided that it would be useful for management to provide an up to date position on each item which would be circulated to the committee prior to the next meeting, for discussion at the meeting in June, 2016. It would be clearer for members to see what was still outstanding and what had been assessed. The report tabled at Appendix 2 would have additional columns outlining the current position and dates for completion.

8.7 The Committee asked questions and made comments on the report to the Head of Internal Audit, which included the following:

- Reason for NNDR suspense account not effectively reviewed
- If Rossendale Borough Council owned more assets than other districts
- What the issue was in relation to members allowances
- Pleased with the full assurance for the Housing Benefits audit review
- Clarification into the meaning of paragraph 3.1 in appendix 2
- Reference in relation to recruitment of canvassers. It was noted this was still ongoing

The Head of Internal Audit clarified issues raised by the committee.

The Chair opened the item to the public and the wider audience:

A question was raised by Mr Atherton in relation to a comment made by the Leader in that she assured that there would be recompense from other parties in the Empty Homes Scheme. It was confirmed that this process was still ongoing. The External Audit Director also commented on this, in that it would be the responsibility of each authority to seek their own legal advice on the matter.

Mrs Freeman asked whether any money could be retrieved through the indemnity insurance. It was clarified that this option had been explored but due to the nature of how the loss occurred, this was not an option.

Resolved:

1. That the internal audit progress report for the period of 29th February 2016 be noted.

9. ANNUAL INTERNAL AUDIT PLAN 2016/17

9.1 The Head of Internal Audit outlined the report to committee which detailed the internal audit plan for the incoming year, 2016/17.

9.2 It was noted that the total number of audit days within the plan amounted to 200 which was a reduction of 50 from the previous year in 2015/16.

9.3 It was clarified that the Chief Executive, the Audit and Accounts Committee, and

ultimately the Council needed assurance that the controls in place were operating effectively, as the annual governance statement would be signed in due course. Work had been carried out with the management team to identify risk and a summary of the breakdown of audit days, assigned to various areas, was outlined within the report.

- 9.4 An estimated 30 days would be allocated to the Empty Homes Improvement Strategy to allow for compliance testing, ensuring controls are in place and operating effectively. Risk management would also be included. Fifteen days had been set aside for the town centre redevelopment and the format of this work would be conducted in a similar manner to the Empty Homes.
- 9.5 Fifteen days had also been allocated for the follow up of completed reviews.
- 9.6 The Committee asked questions and made comments on the report, which included the following:
- Areas indicated to be audited at were agreed
 - Flexible approach was welcomed
 - Protection of Tax Base was provided as a suggestion for an area to be looked at in the future
 - Query in relation to the £2 million funding from the Heritage Lottery. It was believed that this figure was around £1.5/6 million

The Head of Internal Audit clarified issues raised by the committee.

- 9.7 The Head of Finance and Property Services clarified that he would confirm the actual figure for the lottery funding.
- 9.8 The Chair opened the item to the public and the wider audience:

Councillor Cheetham stated she was pleased with the Town Centre development. Concern was raised on the money spent on the highway developments and it was felt that these works needed to be more closely monitored and compensation or penalty clauses to be in place where necessary.

The assurance report was welcomed.

Resolved:

1. That the Internal Audit Annual Plan for the period of 1st April 2016 to 31st March 2017 be approved.

10. EXTERNAL AUDIT CERTIFICATION REPORT

- 10.1 The External Audit Executive outlined the purpose of the report which provided the Audit and Accounts Committee with a summary of the certification work Grant

Thornton completed in 2014/15.

- 10.2 It was noted that Grant Thornton had certified one return for the financial year 2014/15. This was the Council's Housing Benefit return which included expenditure of £20,951,870. It was confirmed there were no significant issues arising from the certification work which was brought to the committee's attention.
- 10.3 There was a minor amendment of £10 which was outlined at Appendix A of the report.
- 10.4 The Committee asked questions and made comments on the report, which included the following:
 - Disablement payment referred to in appendix A and whether this was an under or overpayment

Resolved:

1. That the 2014/15 Certification Report be noted.

11. EXTERNAL AUDIT PROGRESS REPORT

- 11.1 The External Audit Director outlined the purpose of the report which was to outline the progress in delivering their responsibilities along with emerging national issues and other developments.
- 11.2 It was noted that the Empty Homes Programme was still incomplete and that Grant Thornton were awaiting the conclusion of the HCA's work on the scheme which was currently in progress. On conclusion of this, the external auditors would be able to complete the outstanding work on the 2014/15 accounts.
- 11.3 The 2015/16 audit plan and interim accounts audit were in progress and were covered within the report; any finding within these areas would be reported at the June 2016 committee.
- 11.4 Other work undertaken included the Value for Money conclusion and further information on this was detailed within the report.
- 11.5 The Committee asked questions and made comments on the report, which included the following:
 - The article on 'Knowing the Ropes', if this could be incorporated within the member training
 - Time frame for the outcome of the HCA's work
 - Concern there would not be an opinion on the Empty Homes Project in time for 2015/16
 - Length of consultation periods

- The demonstration of the tool referred to on page 12 of the report and if this could be provided as training to members
- Clarification of LATC (Local Authority Trading Company)
- Concern if HCA funding was not provided how this would affect the finances of the authority

The External Audit Director and External Audit Manager clarified issues raised by the committee.

11.6 The Chair opened the item to the public and the wider audience:

Mr Atherton asked if the properties included in the Empty Homes Scheme were rented at affordable rent rates. This was confirmed.

Following this, it was asked if the difference had been worked out between the market value and affordable rates, this option was suggested if the grant funding from the HCA did not materialise.

It was also clarified that the old police station building located in Rawtenstall would be demolished in accordance with the recent planning decision.

Resolved:

1. That the Audit Progress Report be noted.

12. EXTERNAL AUDIT 2015/16 AUDIT PLAN

12.1 The External Manager outlined the purpose of the report which was to provide the committee with a planned scope and timing of the audit.

12.2 The challenges the Council was facing were summarised within the report and included the Autumn Statement 2015 and financial health, HCA Empty Homes Programme, Regeneration and Devolution, responses to these were also detailed.

12.3 It was noted that the impact of key developments was also considered and national audit requirements were also taken into account. Further information on these were highlighted within the report.

12.4 The Committee asked questions and made comments on the report, which included the following:

- Councillors remuneration was not included
- Fair value - was the valuation up or down
- Pension liability
- Option of adding grants outside of RBC in relation to identifying risks
- RTB and responsibility of checking value for money

The External Audit Director and External Audit Manager clarified issues raised by the committee.

Resolved:

1. That the External Audit Annual Plan for 2015/16 be approved.

13. RISK MANAGEMENT STRATEGY UPDATE

- 13.1 The Head of Finance and Property Services outlined the purpose of the report which was to bring to the attention of the committee the Council's latest update to the Risk Management strategy.
- 13.2 It noted that the purpose of the strategy was to outline the Council's risk management framework, policy and procedures in order to continue to embed risk management throughout the organisation.
- 13.3 Members attention was brought to Appendix 2 which outlined how risk would be identified and it was stressed that it was important that the Council adopted a risk cautious approach across its Council activities.
- 13.4 A checklist for risk assessments on projects was appended with the report. It was important that officers had these questions in mind when bringing a project for decision by the relevant committee.
- 13.5 The Chair added that initially risk had been reviewed in a relatively narrow manner and other aspects needed to be considered, and these had been incorporated within the risk strategy.
- 13.6 The Committee asked questions and made comments on the report, which included the following:
 - Officers were thanked for building on existing documents
 - Frequency that the document was to be reviewed
 - Strategy to be taken to next working Full Council Meeting
 - Amendment to recommendation
 - Cost of adding additional meetings

The Head of Finance and Property Services clarified issues raised by the committee

- 13.7 A proposal was made to amend the recommendation to read as follows:

The members note the contents of the report *and recommend to full council that the checklists for risk assessment on projects be included in the job description of Portfolio Holders/Cabinet Members.*

Members agreed to the amendment.

Resolved:

1. That the report be noted along with the additional amendment as follows:

The members note the contents of the report *and recommend to full council that the checklists for risk assessment on projects be included in the job description of Portfolio Holders/Cabinet Members.*

14. EMPTY HOMES IMPROVEMENT PLAN

14.1 The Head of Finance and Property Services outlined the purpose of the report which was to bring to the attention of the committee of the Council's latest action update and response to the Empty Homes Internal Audit report.

14.2 It was confirmed that the future title of this report would be the Rossendale Improvement Plan.

14.3 The Head of Finance and Property Services stated that Officers had been working on a format and framework for a final response report. This report would be used as a future aid for both Officers and Members. Within the format, Officers had outlined examples of potential themes and content and these were detailed within the report.

14.4 It was noted that an additional report would be brought to committee on 28th June, 2016 which would outline the Rossendale Improvement Plan going forward.

14.5 The Committee asked questions and made comments on the report, which included the following:

- The report was welcomed
- Clarification on the meaning of the phrase 'to be used' in paragraph 5.2 of the report
- Point 4 in section 5.2, would this be open to suggestions from members
- Point 15 in section 5.2 and gaining public opinion
- Document to be reviewed
- Concern regarding the lack of public financial figure that had not been provided since November 2015 and would not be provided until June 2016
- Concern that opposition portfolio holder had not received information on this report
- It was noted the report was 'in progress'
- Addition of 'Members' to stage 4 of appendix 1 to read as follows:

Stage 4:

a) Management Team *and Members* to agree the planned organisational improvement activity / development not covered by the audit assessment report and the essential ingredients of the future vision for Rossendale Borough Council.

The Head of Finance and Property Service clarified issues raised by the committee.

14.6 A proposal was made to amend the recommendation as follows:

That Members note the contents of the report and progress made *and recommend the final report to be presented to Full Council.*

Members agreed to the amendment.

Resolved:

1. That the report be noted along with the additional amendment as follows:

That Members note the contents of the report and progress made *and recommend the final report to be presented to Full Council.*

15. STANDARDS COMPLAINTS UPDATE

15.1 The Chair informed the committee that there had been no standards complaints

Resolved:

That the update was noted.

The meeting commenced at 6.30pm and finished at 9.00pm.

Signed (Chair)

Date