

## **AUDIT COMMITTEE**

Minutes of the meeting held on 8 September 2015 commencing at 7.00 pm

Present: Cllr. Grint (Chairman)

Cllr. Brookbank (Vice Chairman)

Cllrs. Clack, Dyball, Edwards-Winsor, Layland, Purves and Reay

Cllr. Searles was also present.

### 15. Minutes

Resolved: That the minutes of the Committee held on 23 June 2015 be agreed and signed as a correct record.

### 16. Declarations of Interest

There were no additional declarations of interest.

### 17. Actions from Previous Meeting

The actions from the previous meeting were noted.

### 18. Responses of the Council, Cabinet or Council Committees to the Committee's reports or recommendations

There were none.

### 19. Statement of Accounts 2014/15 - Outcome of External Audit

The Chairman welcomed Mr. Andy Mack and Mr. Geoffrey Banister from Grant Thornton, the Council's External Auditors, to the meeting.

The representatives of Grant Thornton introduced the report which explained their findings on the 2014/15 Statement of Accounts, which were to be signed off by the end of September 2015. Mr. Mack advised that the external auditors found that the Statement gave a true and fair view of the Council's financial position and had been properly prepared in accordance with the Code of Practice. Grant Thornton hoped to sign off the Accounts the next day with an unqualified audit opinion. An unqualified opinion had also been given on the Council's Value for Money arrangements, confirming that the Council had strong arrangements in place. He thanked Officers for their help during the course of the audit.

Mr. Mack highlighted that the Finance Team understood the financial position of the Council well. The Council had good arrangements in place for financial management, including long-term financial planning. Financial decisions were taken for the long term.

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Innovation, such as the new investment strategy, was central to the financial sustainability of the Council. This reflected good practice.

However Grant Thornton had identified a number of disclosure and presentational errors in the draft statements, which increased the time spent on the audit and led to an increase in the audit fee. Mr Mack also highlighted that by 2018 the Statement of Accounts would have to be approved two months sooner. In his opinion the Finance Team was good but their capacity was overstretched.

The Chief Finance Officer advised that the Audit Committee working group had considered the Statement of Accounts in July 2015 which resulted in some changes to the foreword. A review of the Finance Team was already planned and would include a look at the resources and skills required to produce an improved Statement of Accounts for 2015/16, noting that the Council had the smallest Finance Team in Kent. A report on the changes being implemented would be reported to the Committee in January 2016.

In response to questions Members were advised by Grant Thornton that the accounts could be streamlined by de-cluttering but still ensuring that all necessary information was still present, also by reviewing de minimis levels, for example for accruals. This assessment would be best carried out in the next two to three months. Some sections of the accounts could also be produced separately, in advance, in order to assist in the earlier preparation of the accounts.

The Portfolio Holder for Finance considered the Finance Team high quality. He asked why criticism of the notes had not been made in previous years and asked whether the comments would affect the fee in future years. Mr. Mack advised that the misstatements had only arisen this year. Although the fees for the 2014/15 audit had risen from £57,541 to £64,000, reflecting the additional work, this would not affect future fees. The Committee noted the fee increase with concern and hoped the audit would be carried out for the planned fee next year.

The Committee thanked the Finance Team for their extremely hard work in preparing the Statement of Accounts, and thanked Grant Thornton for their audit work and their report.

The Committee were also asked to agree that the Chairman of the Audit Committee sign the representation letter to Grant Thornton for the Financial Statements for the year ended 31 March 2015 found at Appendix B to the report.

### Public Sector Equality Duty

Members noted that consideration had been given to impacts under the Public Sector Equality Duty.

Resolved: That

- a) the Statements of Accounts for 2014/15 be approved;
- b) the audit letter of representation be approved; and

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- c) Cabinet be advised that pending a review of the Team, the Finance Team may require additional resources for the preparation of the 2015/16 Statement of Accounts.

### 20. Internal Audit 2015/16 - 1st Progress Report

The Audit, Risk and Anti-Fraud Manager presented a report that detailed the progress of the Internal Audit Team in delivering the Annual Internal Audit Plan for the year 2015/16 and the outcome of the final Internal Audit reports issued since the meeting of the Audit Committee on 23 June 2015.

The Audit, Risk and Anti-Fraud Manager tabled an [updated status report for the 2015/16 Internal Audit Plan](#). There were 7 planned internal audit reviews in progress with 1 final report issued, 3 draft reports, 1 feedback in progress, 2 fieldworks in progress and 1 brief issued. Two further investigations were at the draft report stage. He advised that progress compared very favourably to last year.

*Action 1: The Audit, Risk and Anti-Fraud Manager to provide Committee Members with information on the sums spent on Community Grants and a projection going forward referred to in the final Internal Audit reports.*

In response to a question, Officers explained that costs for consultancy staff had risen for the year due to the number of planning applications and the new Economic Development & Property Team. Consultants would only be appointed when specialist knowledge was required. Agency staff were particularly required for the Revenues & Benefits Team until the Universal Credit reforms were introduced.

The Chairman asked whether Members felt a working group would be appropriate to allow more detailed analysis of Internal Audit reports. The Committee agreed that a working group was not necessary. It was noted that the Committee would look in detail at any report which produced a finding lower than Satisfactory.

The Audit, Risk and Anti-Fraud Manager explained that, in coming to their final opinions, the Audit Team would discuss draft reports with the relevant Officers to come to an agreement on facts, but that audit opinions were independently determined by Internal Audit. The opinions in the two final reports had not changed from the draft stage but some details had been amended.

### Public Sector Equality Duty

Members noted that consideration had been given to impacts under the Public Sector Equality Duty.

Resolved: That the report be noted.

### 21. Report on Internal Audit recommendations outstanding

The Audit, Risk and Anti Fraud Manager presented a report that updated Members on the progress of implementation of recommendations agreed with Management from Internal Audit reviews, for actions due up until 31 July 2015. The report highlighted the recommendations which were due and where implementation dates had been revised or,

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where agreed, recommendations had not been implemented due to change in circumstances.

A Member enquired whether priority in the implementation of recommendations was based on the risk related to the failure to act. The Audit, Risk and Anti Fraud confirmed that it was, though they would try to get low risk changes implemented soon if they could be brought in quickly.

### Public Sector Equality Duty

Members noted that consideration had been given to impacts under the Public Sector Equality Duty.

Resolved: That

- a) the information in Appendix A be noted; and
- b) the reasons for delayed implementation and revised dates for implementation provided by Management as set out in Appendix B to the report be noted and endorsed.

### 22. Risk Management Training

The Audit Risk and Anti-Fraud Manager gave a [presentation](#) to Members on risk management which covered the generic principles, the Council's framework and the Committee's terms of reference. The Council's definition of risk management was those activities required to identify, assess, control and monitor exposure to uncertainties which might impact upon the achievement of the Corporate Plan priorities. The Council's policy was that risk could not be eliminated but could be managed to achieve those priorities. Risk was divided into Strategic Risk and Operational Risk but Operational Risk would only be reported to the Committee if it was thought the risk could have a significant impact upon the reputation or finances of the Council.

### 23. Draft Strategic Risk Register

The Audit Risk and Anti Fraud Manager presented a report which gave Members the opportunity to review and comment on the Council's Draft Strategic Risk Register. The Draft Register had been developed by Officers, taking into consideration the views of the Officers' Risk Management Group, Service Managers and Chief Officers. It set out the risks that Officers considered could prevent or hinder the effective delivery of the Vision and Promises set out in the Council's Corporate Plan. A replacement [summary of the Draft Strategic Risk Register](#) was tabled for Members' consideration. Following the initial analysis 8 high risks and 4 medium risks had been identified but these had all been reduced to medium risks after existing controls had been taken into account.

The Chief Finance Officer advised that the Council's finances, borrowing and shared services were all considered medium risks. However the Council needed to accept risks and it was a matter of measuring risk against return.

*Action 2: The Audit Risk and Anti Fraud Manager to include the risk matrix key in future risk management reports.*

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### Public Sector Equality Duty

Members noted that consideration had been given to impacts under the Public Sector Equality Duty.

Resolved: That the Draft Strategic Risk Register be agreed with no further recommendations, amendments or additions.

### 24. Members' Allowance Scheme Monitoring

The Chief Finance Officer introduced a report which explained that it was the Committee's role to monitor the implementation of the Members' Allowance Scheme. The scheme was last agreed by Council on 18 February 2014 and the report set out the allowances paid in 2014/15. Basic allowances were paid to all 54 Members, but 3 asked not to receive the full amount, while travel expenses were claimed by 46% and the IT allowance was claimed by 63%. Members' claims were processed by the Democratic Services Team with questions of interpretation referred to the Chief Executive or Monitoring Officer. No issues were found during the year.

### Public Sector Equality Duty

Members noted that consideration had been given to impacts under the Public Sector Equality Duty.

Resolved: That the report be noted.

### 25. Work Plan

The work plan was noted. It was agreed that additional reports on updating on the outstanding recommendations from the external review of Internal Audit and the External Auditor Relationship and Future Appointments would be brought to the Committee on 15 March 2016. Reports on the Internal Review of Internal Audit, External Audit – Annual Audit Plan and Update, establishment of a Statement of Accounts 2015/16 Member Working Group, the Annual Governance Statement 2015/16 and an Anti-Fraud Team report would be brought to the meeting in Summer 2016.

THE MEETING WAS CONCLUDED AT 8.57 PM

CHAIRMAN

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