

AUDIT COMMITTEE

Minutes of the meeting held on 27 September 2016 commencing at 7.00 pm

Present: Cllr. Grint (Chairman)

Cllrs. Clack, Edwards-Winsor, Layland, McArthur and Purves

Cllr. Searles was also present.

COUNCILLOR ROBERT BROOKBANK

The Committee held a moment's silence in memory of the Vice Chairman, Cllr. Robert Brookbank, who had passed away on Tuesday 2 August 2016.

16. Minutes

The Committee noted that proposals for Member training, referred to in Minute 14, had not been brought to the meeting and agreed this ought be recorded as an action.

Action 1: That Officers bring specific proposals for Member training to the next scheduled meeting of the Committee to allow further discussion of training requirements.

Resolved: That the minutes of the meeting of the Audit Committee held on 30 June 2016 be agreed and signed as a correct record.

17. Declarations of Interest

Sarah Ironmonger and Geoffrey Bannister, the representatives of Grant Thornton, declared that they had an interest in Minute 25 - Future Appointment of External Auditors as the Council's current external auditors. They left the room prior to the consideration of the item.

18. Actions from Previous Meeting

There were none.

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

There were none.

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20. Members' Allowance Scheme Monitoring

The Head of Legal and Democratic Services introduced a report which explained that it was the Committee's role to monitor the implementation of the Members' Allowance Scheme and which set out the allowances paid in 2015/16. As an election was held during the financial year basic allowances were paid to 71 individuals in all, but 1 current Member asked not to receive the full amount. Travel expenses were claimed by 52% of Members and the IT allowance was claimed by 58%. Members' expenses 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.

Members noted some typographical errors within the Members' Allowances Scheme.

Action 2: The Head of Legal and Democratic Services to make typographical corrections to Constitution Appendix G: Members' Allowances Scheme.

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. Statement of Accounts 2015/16

The Committee welcomed Sarah Ironmonger, the Engagement Lead and Geoffrey Bannister, the Audit Manager from the Council's External Auditors, Grant Thornton to the meeting.

The Head of Finance presented a report on the Statement of Accounts 2015/16 and the representatives of Grant Thornton explained their findings on the Statement of Accounts, which were to be signed off by 30 September 2016. The accounts gave a true and fair view of the Council's position and had been properly prepared in accordance with the Code of Practice. No adjustments were found that affected the Council's reported financial position and no changes were required to the major statements. Grant Thornton hoped to sign off the Accounts with an unqualified audit opinion. An unqualified opinion had been given on the Council's Value for Money arrangements, confirming that the Council had proper arrangements in place.

Sarah Ironmonger highlighted that from 2017/18 all Councils would be required to publish their audited financial statements by 31 July and so significant progress would be needed to deliver the same volume of work in a more intense shorter period. There had been a significant improvement in the quality of the financial statements when compared to the previous year, resulting in fewer adjustments to the notes. Three issues had been raised in relation to internal controls. Minor disclosure issues had been raised which did not change the final reported financial

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position. She advised that Grant Thornton had been supported very positively by the Council throughout the process.

The Committee was also asked to agree that the Chairman of the Audit Committee sign a representation letter to Grant Thornton for the Financial Statements for the year ended 31 March 2016 to confirm that the financial statements gave a true and fair view.

The Chairman noted the audited pension fund liability of £62 million, which was significantly different from the last actuarial assessment of £25 million. However this deficit was not considered an area of concern. The two figures were calculated in different ways and the Council was meeting its liabilities as they came due. Sarah Ironmonger explained that the audited figure was based on the immediate closure of the fund and did not take account of returns from the fund. The Chief Finance Officer confirmed that the Finance Advisory Committee was due to consider the matter after the triennial revaluation.

The Committee thanked the Head of Finance and her Team for their immense hard work in preparing the accounts and to Grant Thornton for carrying out the audit.

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 2015/16 be approved;
- b) the audit letter of representation be approved and signed by the Chairman; and
- c) Cabinet be advised of the significant variation between the audited and actuarial assessments of the pension fund liabilities.

22. Internal Audit 2016/17 - 1st Progress Report

The Committee expressed disappointment that the Audit, Risk & Anti-Fraud Manager had been unable to attend the last 3 Audit Committee meetings and Internal Audit was not represented at the meeting. Members agreed that this could hamper their work and that Cabinet's attention be brought to this.

The Chief Finance Officer presented a report that detailed the progress of the Internal Audit Team in delivering the Annual Internal Audit Plan for the year 2016/17 and the outcome of the final Internal Audit reports issued since the meeting of the Audit Committee on 30 June 2016. Since the previous meeting 9 reports had been issued. Against the 2016/17 Internal Audit Plan a total of 6 reviews had commenced, with 3 in progress and 3 final reports issued.

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The absence of a team member from a small team for a length of time had an effect on the team. Officers would therefore carry out a review of the resources required and the likely impact on the Internal Audit Plan.

Members discussed the final reports issued, which had been summarised.

Action 3: Officers to ensure that transparency information is readily available through the Council's website.

Public Sector Equality Duty

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

Resolved: That

- a) the report and the progress made by the Internal Audit Team in delivering the 2016/17 Annual Internal Audit Plan be noted; and
- b) Cabinet be advised that the absence of the Audit, Risk & Anti-Fraud Manager at 3 consecutive meetings of the Audit Committee could hamper the work of the Committee.

23. Report on Internal Audit Recommendations Outstanding

The Chief Finance Officer 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 2016. The report highlighted the medium and high priority recommendations which were due and where implementation dates had been revised or, where agreed, recommendations had not been implemented due to change in circumstances.

Public Sector Equality Duty

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

Resolved: That

- a) the summary of recommendations followed up as set out in Appendix A to the report be noted;
- b) the reasons for delayed implementation where the priority ranking was medium or high as set out in Appendix B to the report be noted, and the revised dates for implementation provided by Management be endorsed; and
- c) the reasons provided by Management for those recommendations where implementation was no longer intended as set out in Appendix C to the report be noted.

24. Draft Strategic Risk Register

The Chief Finance Officer 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. Following the initial analysis, 7 high risks and 4 medium risks had been identified but these had been reduced to 8 medium risks and 3 low risks after internal controls had been taken into account.

Members expressed surprise that the Council's Property Investment Strategy was described as low risk and discussed the controls which were in place.

Members also highlighted that in the Internal Audit Recommendations Outstanding report considered at minute 23 it had been agreed by the IT Steering Group that the enhanced desktop test of business continuity could not take place because the operational impact upon IT and users would be too great. Concern was raised that this could impact upon the level of risk that had been assessed for Technology.

Action 4: Officers to reconsider the risk ratings for SR02 Property Investment Strategy and SR05 Technology.

Public Sector Equality Duty

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

Resolved: That, subject to Officers reconsidering whether to amend the risk ratings for SR02 Property investment Strategy and SR05 Technology, the Draft Strategic Risk Register be agreed.

25. Future Appointment of External Auditors

The Chief Finance Officer presented the report which provided an update on the arrangements for appointing external auditors following the abolition of the Audit Commission and the end of transitional arrangements at the conclusion of the 2017/18 audits. It recommended that opting into a Sector Led Body to negotiate and make the external auditor appointment be agreed as the preferred procurement route. Public Sector Audit Appointments Ltd, an independent, not-for-profit company limited by guarantee and established by the Local Government Association had been appointed by the Secretary of State to be the sector led body.

In response to a question, the Chief Finance Officer confirmed that prices were still uncertain but it was likely only a few, large firms would be competing for the contracts.

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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 it be recommended to Full Council that the sector led approach to the negotiation and appointment of the external auditor be approved as the preferred procurement route.

(Having declared an interest, Sarah Ironmonger and Geoffrey Bannister the representatives of Grant Thornton, left the room prior to the consideration of this item).

26. Fraud Update

The Chief Finance Officer tabled an [update](#) on a fraud which had occurred within the Revenues Team by a temporary member of staff. This person had worked at a number of councils and committed similar frauds before. The Council's stringent procedures detected the fraud in November 2015, the offender was escorted from the premises and his previous employers were notified. He was convicted and sentenced to 2 years and 8 months in prison.

In response to a question, the Chief Finance Officer advised that it had been a complex fraud involving other parties, exploiting a loophole also found at other Councils. Additional procedures had since been put in place to prevent a similar fraud happening again.

The Committee noted that the evidence of the fraud was picked up by the Council and congratulated the Revenues Team.

27. Work Plan

The work plan was noted.

THE MEETING WAS CONCLUDED AT 8.51 PM

CHAIRMAN