

## **AUDIT COMMITTEE**

**7 December 2016**

Present: Councillor D Scudder (Chair)  
Councillor T Williams (Vice-Chair)  
Councillors S Cavinder, Asif Khan and B Mauthoor

Also present: Councillor Mark Watkin, Portfolio Holder  
Hannah Ormston (Ernst and Young)

Officers: Shared Director of Finance  
Head of Finance (Shared Services)  
Head of Democracy and Governance  
Audit Manager, Shared Internal Audit Service  
Committee and Scrutiny Officer

### **24 Apologies for Absence/Committee Membership**

Apologies for absence were received from Andrew Brittain, external auditor from EY.

### **25 Disclosure of Interests (if any)**

There were no disclosures of interest.

### **26 Minutes**

The minutes of the meeting held on 29 September 2016 were submitted and signed.

### **27 The Role of Audit Committee**

The Audit Manager from the shared internal audit service gave a presentation about the role of the Audit Committee. The presentation included the committee's terms of reference; the need for an audit committee and relevant legislation; the committee's work programme; its focus on assurance and its overall role in the governance structure of the council. It was noted that there was not a statutory requirement to have an audit committee, however best practice demonstrated that it was appropriate to have one in place and was a key component of good governance.

The Audit Manager suggested that the committee may wish to have a look at its terms of reference as they had not been reviewed for some time. In addition it was noted that an annual report was referred to in the terms of reference. This enabled the committee to summarise the work it had carried out during the year and include the assurances it had received and thereby providing assurance to full council. The work programme allowed the committee to consider whether it was receiving reports at a sufficient frequency.

Following a question from Councillor Watkin, the Portfolio Holder, the committee was informed that internal audit's work programme was created through consultation with the council's management team. The report was then presented to the committee for approval. This also provided the committee with an opportunity to have an input. It was stressed that the work programme was owned by the council and not internal audit.

## 28 **Requests made under the Freedom of Information Act 2000**

The committee received a report of the Head of Democracy and Governance which included the half year report on the requests made under the Freedom of Information Act for the period from 1 April to 30 September 2016.

In response to a question from Councillor Khan, the Head of Democracy and Governance agreed to provide the committee with information about the request for information on noise complaints raised for Comet Close. It was noted that the request for information about councillors clothing had referred to the allowances given to the Chairman and Vice Chairman.

RESOLVED –

that the report be noted.

## 29 **Annual Governance Statement Update**

The committee received a report of the Head of Finance (shared services) which provided details in implementing the actions required in the Annual Governance Statement.

The Director of Finance informed the committee that the procurement process would be started for one Disaster Recovery tender for both councils rather than the current two contracts. The aim was to have a full disaster recovery test next summer. Once this had taken place all recommendations related to disaster recovery could be shown as complete and then removed from the outstanding actions.

The Director of Finance informed the committee that recently there had been a need to power down the Town Hall complex. This had tested some of the elements of disaster recovery. It had taken place over a weekend and the start of the new week all systems were working.

RESOLVED –

that the progress made against the action plan be noted.

**30 External Auditor's Annual Audit Letter 2015/16**

The committee received a report of the Head of Finance (shared services) and the external auditor's annual letter.

Hannah Ormston provided a brief summary of the work the external auditor had carried out during 2015/16. Many aspects of the letter had been reported at previous meetings. She informed the committee that there would be earlier deadlines for the 2017/18 accounts.

In response to a question from the Chair, Ms Ormston explained about the 'Whole of Government Accounts'. She added that the council was below the audit threshold of £350 million and therefore it had not been necessary to audit the consolidation pack.

Councillor Williams welcomed the letter, particularly as the accounts were unqualified and the auditor had not found anything to report on.

RESOLVED –

that the contents of the Annual Audit Letter be noted.

**31 Shared Internal Audit Service - Internal Audit Progress Report**

The committee received a report of the Head of Finance (Shared Services) and the Shared Internal Audit Service's Audit progress report which set out the latest progress made in implementing audit recommendations.

The Audit Manager provided an overview of the progress report and updated the performance indicators. In the period since the committee report was first published, the percentage of completed planned days had increased from 50% to 55%.

Following a question from Councillor Mauthoor about the cancellation of the homelessness and housing allocations audits, the Audit Manager explained that an independent peer review of housing was taking place. The review covered the same areas which had been proposed for auditing. There was little point in duplicating work, although internal audit were reviewing the findings of the peer review. The independent report could potentially be brought to this committee.

The Director of Finance added that the review had taken place and the initial findings were due to be reported back to the service. She agreed to clarify the procedure for the report and inform the committee.

RESOLVED –

1. that the Internal Audit Progress Report against the 2016/17 Audit Plan be noted.
2. that amendments to the Audit Plan as at December 2016 be approved.
3. that the removal of the implemented recommendations (shown as Appendix C to the report) be agreed.
4. that the changes to the implementation date for 7 recommendations (paragraph 2.5.1 of Appendix 1) for the reasons set out in the progress report (shown in Appendix C) be agreed.

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### **Appointment of Auditors**

The committee received a report of the Director of Finance setting out information about the requirement of principal local authorities to appoint their own external auditors for the audit of the 2018/19 accounts by 31 December 2017. The report contained four options for consideration by the committee.

The Head of Finance (shared services) informed the committee that the final decision would be agreed by Council. Officers were recommending the use of the Public Sector Audit Appointments Ltd (PSAA), who had been managing the audit contracts since the abolition of the Audit Commission. By using the PSAA it would give the council some certainty and would ensure better value for money. It was necessary to inform PSAA if the council wished to follow this option by 9 March. The committee's recommendation would be forwarded to Council for consideration at its next meeting in January, thus ensuring the council met the deadline.

The Chair advised that he had recently attended the county council's Audit committee and a similar report had been presented with the same recommendation, due to it providing value for money.

RESOLVED –

that the Audit Committee recommends to Council that for the first round of appointments, the council opt into the PSAA Appointing Person arrangement, subject to confirmation of the details of the scheme.

33

### **Committee Work Programme**

The committee received a report of the Head of Finance (shared services) setting out the Committee's updated work programme for the final meeting of 2016/17. It also provided information about the annual statement of accounts procedure for the financial year 2017/18.

The Head of Finance (shared services) stated that he was seeking the committee's views about the timetable for the 2017/18 accounts. He set out three options. He stressed that the final accounts had to be signed by 31 July each year. It was noted that the committee would no longer be required to sign off the draft statement of accounts which had to be completed and signed by the Chief Financial Officer by the 31 May. The draft accounts would be circulated to the committee for information.

Following a discussion it was agreed that from 2018/19 the committee would meet –

- Before the end of July in order to sign off the accounts;
- September
- November/December
- March

The Chair suggested that moving forward there should be a discussion topic at the start of each meeting. It was agreed that 'risk' should be included for the March meeting as the Corporate Risk Register was due to be considered.

Following a request from Councillor Mauthoor, it was agreed that the presentation would be given to councillors in advance of the meetings. This would allow them to read through the presentation and consider possible questions they may want to ask.

Councillor Williams suggested that the committee's terms of reference could be reviewed at the next meeting.

The Director of Finance agreed and that and suggestions could then be referred to the appropriate committee.

Councillor Mauthoor asked whether it was possible to have a list of the areas/services that had already been audited and those which had not.

The Director of Finance advised that the audit plans contained the requested information. It would be possible to look back at the audits carried out. She added that some audits, such as the key financial systems, had to be done each year, whereas other services that were considered less risky were done on an occasional basis. Other topics were included where problems had been identified or where there were national issues. She confirmed that the committee had a role in considering the areas that might be audited.

RESOLVED –

that the updated work programme be agreed and amended as suggested.

#### 34 **Treasury Management Mid-year report 2016/17**

The committee received a report of the Finance Manager and Finance Officer which provided a mid-year review of the Treasury Management function.

The Head of Finance (shared services) apologised for the need to send a revised report, however it provided updated figures. He highlighted some of the key aspects of the report including investment rates, capital spending and reinvestment of receipts.

RESOLVED –

that the contents of the 2016/17 Mid-year Review of the Treasury Management function be noted.

#### 35 **Treasury Management Report 2017/18**

The committee received a report of the Finance Manager to preview the draft Treasury Management Strategy prior to its presentation to Budget Panel, Cabinet and ultimately Council in January for approval. The report would be updated further once the draft budget was known. The Head of Finance (shared services) agreed that he would share the final report with the committee. This report contained information about loans to council subsidiaries. Any lending would be

subject to due diligence. It would facilitate the more commercial activities of the council.

Following a question from Councillor Mauthoor, the Head of Finance (shared services) assured the committee that the council would only be lending to the council related businesses, for example Hart Homes Ltd. The council had knowledge of these businesses, which could struggle to get a loan elsewhere, due to a lack of credit history.

The Director of Finance advised that any loans would be reported to Cabinet and therefore all councillors would be aware of them.

RESOLVED –

that the report be noted.

Chair

The Meeting started at 7.00 pm  
and finished at 8.00 pm