

**Audit Committee**  
**12 JULY 2018**

Present: Councillors: Brian Donnelly, Paul Marshall, Godfrey Newman and Stuart Ritchie

Apologies: Councillors: John Chidlow, Paul Clarke and Tim Lloyd

Also Present: Paul King, Audit Director, Ernst & Young

AAG/1 **ELECTION OF CHAIRMAN**

RESOLVED

That Councillor Stuart Ritchie be elected Chairman of the Committee for the current Council year.

AAG/2 **APPOINTMENT OF VICE-CHAIRMAN**

RESOLVED

That Councillor Paul Marshall be appointed Vice-Chairman of the Committee for the current Council year.

AAG/3 **TO APPROVE THE TIME OF MEETINGS OF THE COMMITTEE FOR THE ENSUING YEAR**

RESOLVED

That meetings of the Committee be held at 5.30pm for the ensuing Council year.

AAG/4 **MINUTES**

The minutes of the meeting held on 11<sup>th</sup> April 2018 were approved as a correct record and signed by the Chairman.

AAG/5 **DECLARATIONS OF MEMBERS' INTERESTS**

There were no declarations of interest.

AAG/6 **ANNOUNCEMENTS**

The Chairman welcomed the Chief Executive to the meeting and announced that they would attend at least one Audit Committee meeting each year.

The Chairman would hold discussions with the Director of Corporate Resources relating to the business load of the committee relating to the number of committee meetings held per year.

AAG/7 **AUDIT RESULTS REPORT**

The external auditor presented the audit results report which proposed an unqualified opinion on the 2017/18 statement of accounts. The auditor was also satisfied that the Council has in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

AAG/8 **LETTER OF REPRESENTATION**

The Head of Finance reported that there was a change in the letter of representation as a late unadjusted misstatement was identified by the external auditor that was just above the reporting threshold.

Section A Financial Statement and Financial Records, paragraph 5 in the letter of representations was amended to reflect this, and stated:

We believe that the effects of the unadjusted audit difference, shown in the accompanying schedule, accumulated during the current audit and pertaining to the latest period presented is immaterial, to the financial statements. We have not corrected this difference identified by and brought to the attention from the auditor because it is immaterial and affects a number of places in the financial statements.

RESOLVED

That the letter and appendix of unadjusted misstatements be agreed by the Audit Committee and signed by the Director of Corporate Resources and the Chairman of the Audit Committee.

AAG/9 **ANNUAL GOVERNANCE STATEMENT 2017/18**

The Director of Corporate Resources reported that the annual review of the Council's governance, risk management and internal control arrangements has been undertaken to support the production of the Annual Governance Statement for 2017/18.

RESOLVED

That the Annual Governance Statement for 2017/18 be approved.

REASON

As part of good governance, it is important that the Annual Governance Statement is approved by the Audit Committee.

AAG/10 **STATEMENT OF ACCOUNTS 2017/18**

The audit identified five amendments in the draft financial statements which had been adjusted in the Statement of Accounts 2017/18.

The number of amendments was slightly higher than previous years, but not significant in number in the context of a new financial system during the year and being without a systems accountant for key periods. The Finance team had also reduced in size.

Members' attention was drawn to the deficit on provision of services, however, it was noted that this is being addressed through the MTFS.

A surplus was recorded for the revaluation of Property, Plant and Equipment assets as well as actuarial gains on pensions assets while a small deficit was recorded for revaluation of financial assets.

The Chairman thanked the Finance team for their hard work and efforts in producing the statement of accounts to the earlier deadline.

RESOLVED

That the Statement of Accounts 2017/18 be approved.

REASONS

- i) It is a requirement of the Accounts and Audit (England) Regulations 2017 that the Statement of Accounts are Approved by 31 July 2018.
- ii) The external auditors plan to issue an unqualified audit opinion on the Statement of Accounts for 2017/18.

AAG/11 **TREASURY MANAGEMENT ACTIVITY AND PRUDENTIAL INDICATORS 2017/18**

The Group Accountant (Technical) reported that the overall balance of investments had reduced compared to last year due to expenditure on the large capital programme.

All indicators set were met except one breach of a bank deposit limit overnight during the year.

Pooled funds were contributing a large amount of income. The capital values of the pooled funds were fluctuating due to their volatility however the Council would not be cashing in these pooled funds in the near future.

Property investments would be included in the next set of indicators. Members commented on the additions in the Property Investment Fund and re-enforced the importance of investing in property locally in the district.

RESOLVED

That the Committee noted the following:

- i) The Treasury Management stewardship report for 2017/18
- ii) The actual prudential indicators for 2017/18

REASONS

- i) The annual treasury report is a requirement of the Council's reporting procedures.
- ii) This report also covers the actual prudential indicators for 2017/18 in accordance with the requirements of the relevant CIPFA codes of practice.

AAG/12 **RISK MANAGEMENT - QUARTERLY UPDATE**

The Director of Corporate Resources presented the latest quarterly update of the Corporate Risk Register.

It was reported that the only major (red) risk is around funding from central government.

One emerging risk was reported that WSCC would be undertaking electrical system maintenance to the Council offices later in the year that would need the power to the building turned off.

RESOLVED

That the report be noted.

REASON

To ensure that the Council has adequate risk management arrangements in place.

AAG/13 **ANNUAL INTERNAL AUDIT REPORT AND OPINION**

The Chief Internal Auditor presented his annual report to Members for noting.

Five audits had been completed since the last meeting of the committee.

One audit received an opinion of substantial assurance, three had reasonable assurance and one had partial assurance. The partial assurance opinion related to the annual audit of payroll, and the new Payroll Controller had already implemented many of the agreed actions.

Internal Audit is required to conform to the Public Sector Internal Audit Standards, which includes being externally assessed every five years. An independent external assessment had recently been completed and the highest level of conformance was achieved.

The performance of internal audit had been compared against audit performance indicators with all targets being exceeded.

The Chief Internal Auditor gave an overall opinion of Satisfactory in terms of the Council's overall control environment, governance processes and risk management systems.

#### RESOLVED

- i) That the summary of audit and project work undertaken since March 2018 be noted
- ii) That the statement of compliance with the Public Sector Internal Audit Standards be noted
- iii) That the performance of internal audit against performance targets be noted
- iv) That the opinion of the Chief Internal Auditor on the overall adequacy and effectiveness of the Council's internal control environment, governance and risk management systems be noted

#### REASONS

- i) To comply with the requirements set out in the Public Sector Internal Auditing Standards 2013 (Amended April 2017).
- ii) The Audit Committee is responsible for reviewing the effectiveness of the Council's system of internal control.

#### AAG/14 **INDEPENDENT EXTERNAL ASSESSMENT OF INTERNAL AUDIT**

The Chief Internal Auditor presented the independent external assessment of internal audit to the committee.

The internal audit service was assessed against 45 points outlined in the report and was found to be in General Conformance with all but three.

For these three points the review team found the internal audit service was in Partial Conformance and none were significant enough to affect their overall opinion. Recommendations had been made in the report to address these areas for improvement.

RESOLVED

That the report be noted.

AAG/15 **URGENT BUSINESS**

There was no urgent business.

AAG/16 **EXCLUSION OF THE PRESS AND PUBLIC**

RESOLVED

That, under Section 100A(2) of the Local Government Act 1972, the press and public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information, as defined in Part I of Schedule 12A of the Act, by virtue of the paragraph specified against each item, and in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

AAG/17 **INTERNAL AUDIT - QUARTERLY UPDATE ON AUDIT FOLLOW-UPS**

The Chief Internal Auditor summarised the progress on the implementation of agreed actions since April 2018.

RESOLVED

- i) That the progress in terms of agreed actions implemented since April 2018 be noted.
- ii) That any areas of particular concern highlighted by the Chief Internal Auditor be noted.

REASON

The Audit Committee is responsible for reviewing the effectiveness of the Council's system of internal control.

*The meeting closed at 6.45 pm having commenced at 5.30 pm*

CHAIRMAN