

**AUDIT COMMITTEE
27 MARCH 2017**

PRESENT: COUNCILLOR MRS S RAWLINS (CHAIRMAN)

Councillors Mrs E J Sneath (Vice-Chairman), N I Jackson, S M Tweedale and W S Webb

Councillor R G Davies attended the meeting as an observer

Officers in attendance:-

Rachel Abbott (Audit Team Leader), John Cornett (External Auditor, KPMG), David Forbes (County Finance Officer), Claire Machej (Head of Finance (Corporate)), Mike Norman (External Auditor, KPMG), Lucy Pledge (Audit and Risk Manager), Richard Wills (Executive Director, Environment and Economy) and Rachel Wilson (Democratic Services Officer)

55 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors Miss F E E Ransome and P Wood.

An apology for absence was also received from Mr P D Finch (Independent Added Person)

56 DECLARATION OF MEMBERS' INTERESTS

There were no declarations of interest at this point in the meeting.

57 MINUTES OF THE MEETING HELD ON 30 JANUARY 2017

RESOLVED

That the minutes of the meeting held on 30 January 2017 be signed by the Chairman as a correct record.

58 INTERNAL AUDIT PROGRESS REPORT

Consideration was given to a report which provided an update on internal audit work undertaken in the period of 12 January 2017 to 12 March 2017. It was reported that Internal Audit had completed 6 final reports in this period, which included 1 school audit, of which they all gained good or substantial assurance. Two pieces of consultancy work had also been completed. Members were also advised that eight audits were at a draft stage, with many more in progress, which were detailed in the

report. It was also noted that a full summary of the Audit Plan had been included at Appendix 2 of the report.

Members were provided with the opportunity to ask questions to the officers present in relation to the information contained within the report and some of the points raised during discussion included the following:

- Concern was expressed that the actual percentage of draft reports issued within two months of fieldwork commencing (44%) was significantly below target (80%). Members were advised that there was not one specific reason for this, but many factors had affected this performance. There had been difficulties in agreeing findings and pulling reports together, some audits had also taken longer than expected. It was acknowledged that there were some areas where Internal Audit could improve planning and scheduling. Going forward, the team would be scheduling expected end dates at the start of each audit.
- It was queried whether there were any staff issues or capacity issues within the team that could be impacting on performance, but members were informed that the team would be fully staffed from May 2017 onwards. The delays had mainly been around some of the discussions and agreeing the findings with management. A root cause analysis had been carried and it was found that there were some things which could be done better, such as getting appointments in diaries earlier for senior management. It was also commented that there was a need for the audit team to be a bit firmer in getting dates finalised to meet with senior managers. It was requested that the Audit Committee support this process and ask for managers to attend the Committee to give assurance directly if managers are unable to commit to a meeting date with Internal Audit.
- It was queried what the current position was in relation to Mosaic, and whether the Committee needed to seek any management assurance. Members were advised that the project was moving into its second phase, and had already gone live, but was not live in terms of the finance modules. It was reported that Agresso would be subject to a major upgrade in the next six months, and it was felt it may be better to wait until the update had been installed before the finance aspect went live.
- It was confirmed that where schools were using Agresso, staff would receive training on the new update, which should provide a range of fixes for some of the things which were not currently working well. Officers had been advised that the new version of Agresso would be more user-friendly.

RESOLVED

That the outcomes of the Internal Audit work be noted.

59 DRAFT INTERNAL AUDIT PLAN 2017/18

Consideration was given to a report which presented the draft internal audit plan for 2017/18.

Attention was drawn to a typographical error on page 53 of the report which should have been labelled as Appendix B not Appendix C.

It was reported that this was a risk based audit plan and would allow time for emerging risks throughout the year.

Members were provided with an opportunity to ask questions to the officers present in relation to the information contained within the report and some of the points raised during discussion included the following:

- It was queried whether there were any more sessions with partners planned and members were informed that it was planned to hold an Audit forum in the autumn.
- It was queried whether there was any indication of how HMRC viewed the risk position of the authority. It was noted that a VAT inspection had been carried out in January 2017 and it had been found that there had been errors on the VAT return recorded for two years. The authority had been put on warning if the errors continued penalties may be levied. However, officers were fairly confident that the errors resulting from the use of Agresso had been resolved. There was no indication of a change of risk status from HMRC.
- Members were assured that the Internal Audit team had the capacity to meet its targets.
- Members were advised that officers were working to get some career grade apprenticeships in finance, which would help to develop the authority's work force.

RESOLVED

That the audit plan for 2017/18 be agreed.

60 EXTERNAL AUDIT PROGRESS REPORT

Consideration was given to a report from KPMG, the County Council's External Auditors, which provided the Committee with an update on the 2016/17 Audit deliverables.

It was reported that the profile of risks was very similar to the previous year, and as part of the planning discussions it was believed that the level of risk would be mitigated.

Members were guided through the highlights of the report and provided with the opportunity to ask questions to the officers present in relation to the information contained within the report and some of the points raised during discussion included the following:

- It was commented that it was interesting that the CIPFA/LASAAC Code Board had decided not to proceed with the introduction of the Highways Network Asset Code into the financial reporting requirements for local authorities as this would have been difficult to undertake and the implications on this authority would have been enormous.

4

AUDIT COMMITTEE

27 MARCH 2017

- It was confirmed that it was expected that the close down procedure would be smoother this year, as the issues from the previous year had now been resolved.
- It was reported that the following year there should be an accelerated closedown and the accounts closure timetables should be back to where they used to be and would therefore meet the new requirements.
- It was aimed to complete the closedown by 2 June 2017.

RESOLVED

That the progress report be noted.

61 EXTERNAL AUDIT PLAN 2016/17

Consideration was given to a report which described how External Audit would deliver their Financial Statement 2016/17 work for the Council.

The Committee was guided through the headlines of the report which included the Financial Statement opinion audit and Value for Money arrangements work. Members were provided with an opportunity to ask questions to the officers present in relation to the information contained in the report and some of the points raised during discussion included the following:

- The new pooling arrangements for the pension fund would be taken into account in the audit, but only to the extent that they were reflected in the accounts. The external auditors would not give a view on whether they represented value for money, but whether the costs had been taken into account.
- The cost of setting up a new corporate entity to manage the larger pool would be a revenue expense for the pension fund. These changes would affect all local authority pension schemes.
- It was queried whether senior officers were comfortable that there was the ability to meet the deadlines for the closure of accounts. There were also concerns regarding whether staff would be put under any unnecessary pressure during this process. Members were advised that the authority was in a significantly better position than the previous year. It was acknowledged that the deadlines were tight, and staff expected to be busy from the end of March, during April and May. However, the team did not just do this week in 8 weeks, staff would spend 12 months preparing for the accounts closure. There would be incremental changes each month, but it was not expected that this year would be anything too extreme or out of the ordinary.

RESOLVED

That the External Audit Plan be noted.

62 INTERNATIONAL AUDIT STANDARDS - RESPONSE TO MANAGEMENT PROCESSES QUESTIONS

Consideration was given to a report which provided the Committee with an assessment around whether the County Council and Pension Fund financial statements may be mis-stated due to fraud or error.

It was reported that each year the External Auditors were required to obtain an understanding of the Council's management processes in a number of areas. The International Auditing Standards specified the areas concerned and were listed in the report, together with details of the authority's current processes.

It was highlighted that a material mis-statement for the Authority's accounts in 2016/17 was around £12m and £19m for the Pension Fund accounts.

It was reported that work was ongoing in the finance team to identify any errors in the accounts payable (e.g. duplicate payments). However, this work would take a couple of months to finalise, but a number of errors had been found so far and the authority was in the process of recovering them. It was noted that most of these payments had been to current vendors and so would be offset against future payments.

A recent health check in relation to counter fraud arrangements had taken place and it had been found that the authority had very strong arrangements in place, but it was noted that the team were always looking for ways to improve.

RESOLVED

That Members were assured that the assessment accurately reflected the Council's management processes to minimise the risk of fraud or error in the County Council and Pension Fund financial statements.

63 STATEMENT OF ACCOUNTS 2016/17

Consideration was given to a report which summarised the changes to the Code of Practice on Local Authority Accounting which would be incorporated into the 2016/17 Statement of Accounts; the review of the Council's Accounting Policies; and the changes resulting from the Accounts and Audit Regulations 2015 and the impact of this on the Council's Statement of accounts for 2017/18.

Members were advised that this was the normal paper which was brought to the Committee at this time of year, and the changes to the Code of Practice were relatively small. The biggest change was in relation to the revised timetable for the preparation time for the Statement of Accounts at the end of financial year 2017/18, as the Council will have one month less to close the financial year and produce the Statement of Accounts.

A query was raised in relation to donated assets, however, members were advised that these were a rare occurrence and related to fixed assets with a value of £10,000 or more.

RESOLVED

6

AUDIT COMMITTEE

27 MARCH 2017

1. That the changes required to the County Council's Statement of Accounts from the Code of Practice be noted;
2. That the Statement of Accounting Policies (attached at Appendix A to the report) be approved for use in preparing the Council's accounts for the financial year ending 31 March 2017; and
3. That the changes to the preparation and audit period for the 2017/18 Statement of Accounts as set out in the Accounts and Audit Regulations 2015 be noted.

64 WORK PLAN

The Committee received a report which provided information on the core assurance activities currently scheduled for the 2016/17 work plan.

It was noted that the Audit Committee Annual Report was due to go to the Full Council meeting in September 2017.

RESOLVED

That the work plan as presented be noted.

65 CONSIDERATION OF EXEMPT INFORMATION

RESOLVED

That in accordance with section 100(A) (4) of the Local Government Act 1972, the public and press be excluded from the meeting for the consideration of agenda item 12 on the grounds that if they were present there could be a disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972, as amended.

66 IMT ASSURANCE

Consideration was given to a report requested at the meeting of the Audit Committee held on 30 January 2017 which required the Executive Director, Environment and Economy to provide further Assurance for the Information Management and Technology (IMT) service.

Officers responded to a number of queries in relation to the information contained within the report.

RESOLVED

1. That the approach being taken to gain appropriate levels assurance for the IMT service be noted and endorsed.
2. That the IMT areas that Internal Audit had identified to be subject to external review to provide independent assurance be noted and endorsed.

The Chairman thanked all officers for their assistance to the Committee during the last 4 years, including Mike Norman and John Cornett from KPMG, David Forbes and the Finance team, Lucy Pledge and the Internal Audit team and officers from Democratic Services.

To those standing for election, the Chairman wished them the best of luck.

A member commented that it had been a very involved committee, but a very satisfying committee and it had kept the very important functions of the County Council under sensible scrutiny, and thanked the Chairman for her work.

It was also commented that the Committee had worked as a good team and in a non-party political way.

67 CIPFA AUDIT COMMITTEE UPDATE - ISSUE 21

Received for information.

68 CIPFA AUDIT COMMITTEE UPDATE - ISSUE 22

Received for information

The meeting closed at 11.40 am