

## **AUDIT COMMITTEE**

**Meeting held in the Committee Room, Council Offices, Urban Road, Kirkby-in-Ashfield,  
on Monday, 26th September, 2016 at 6.30 pm**

**Present:** Councillor Kevin Rostance in the Chair;

Councillors Chris Baron, Tim Brown (substitute for Lachlan Morrison), Steve Carroll, Tom Hollis, Jackie James and Christine Quinn-Wilcox.

**Apology for Absence:** Councillor Lachlan Morrison.

**Officers Present:** Lynn Cain, David Greenwood and Sharon Lynch.

**In Attendance:** Sophie Jenkins (KPMG), Adrian Manifold (CMAP) and Debbie Stokes (KPMG).

### **AC.06 Declarations of Disclosable Pecuniary and Non Disclosable Pecuniary/Other Interests**

There were no declarations of interest made.

### **AC.07 Minutes**

RESOLVED

that the minutes of the meeting of the Audit Committee held on 20th July, 2016, be received and approved as a correct record.

(In accordance with Council Procedure Rule 15.1(c), the Chairman requested that agenda item 7, Internal Audit Progress Report, be considered prior to agenda item 4, Presentation: Statement of Accounts 2015/16. Committee agreed with this course of action.)

### **AC.08 Internal Audit Progress Report**

Adrian Manifold, CMAP Audit Manager, presented the report and advised the Committee that no reports had been finalised within the preceding two month period. However, audit performance in relation to scheduled audit assignments was slightly ahead of schedule and 4 draft reports, as shown in the Audit Coverage schedule, had been finalised since publication of the agenda and would be ready for presentation at the next Committee meeting in November 2016.

As a result of the decision to bring the housing management provision back into the Council, the planned audit coverage for Ashfield Homes had been reconsidered. Two of the Ashfield Homes audits, having already commenced, would continue but the remaining audits were to be postponed until the

transfer of the function had been completed. It had been agreed that should any of the audits become irrelevant following the transfer, the allocated days would be redistributed between new or existing internal audits as identified.

Members were also advised that at the request of the Assistant Chief Executive (Governance) and Monitoring Officer, two additional audits had been added to the Audit Plan for 2016/17.

To enable CMAP to track satisfaction from customers, a customer satisfaction survey would be sent out with each final audit report to obtain feedback on performance of the auditor and how the audit was received. To date one response had been received and they had categorised the audit service as excellent.

The Audit Recommendations issued prior to CMAP taking over the service were continuing to reduce and only 1 high priority recommendation was still outstanding and work was continuing to address the issues surrounding data management.

Following presentation of the report, the CMAP Audit Manager gave a brief update regarding progress since the Council joined the Central Midlands Audit Partnership. The Council employee who had transferred with the service was still working mainly at the Council offices but travelled to the head offices in Derby for meetings as necessary. She had settled into the role with ease and had been offered the opportunity to undertake a professional qualification through the partnership.

#### RESOLVED

that audit assignment progress as at 31<sup>st</sup> August, 2016, as presented to Committee, be received and noted.

Reason:

To ensure Members are kept fully informed of progress against the agreed Audit Plan.

#### **AC.09 Presentation by the Deputy Chief Executive (Resources): Statement of Accounts 2015/16**

The Deputy Chief Executive (Resources) gave a presentation to the Committee in relation to the content of the 2015/16 Statement of Accounts.

(During the presentation, Councillor Tom Hollis entered the meeting at 6.55 p.m.)

#### **AC.10 Audited Statement of Accounts 2015/16 including Letter of Representation**

The Corporate Finance Manager presented the 2015/16 Statement of Accounts and highlighted the changes made following the outcome of the external audit, as detailed within the report.

The Committee were asked to note the amendments to the Group Accounts and prior year adjustments regarding pension obligations for Ashfield Homes and the actions agreed following identification of two weaknesses in internal control, namely raising of purchase orders and payroll authorisation by the Council as part of the current shared service.

Members' attention was also drawn to the draft letter of representation which outlined the fundamental issues and considerations in preparation of the accounts. The letter was submitted for Members to consider and approve.

Due to the statutory and constitutional requirements in relation to this matter, there were no alternative options for Members to consider.

RESOLVED that

- a) the findings of the Statement of Accounts external audit, be received and noted;
- b) the audited Statement of Accounts for 2015/16 including the Annual Governance Statement and the associated Letter of Representation, be approved.

Reason:

To comply with statutory and constitutional requirements.

(During presentation of the report, Councillor Chris Baron left the room at 6.57 p.m.)

#### **AC.11 KPMG: report to those charged with Governance (ISA 260) 2015/16**

Sophie Jenkins, KPMG's Director, presented the ISA 260 report to those charged with governance for 2015/16. KPMG had carried out an audit of the Council's Statement of Accounts which was now substantially complete.

The headline messages were as follows:-

##### Proposed Audit Opinion

KPMG were anticipating issuing an unqualified opinion on the Council's financial statements by the end of September 2016.

##### Audit Adjustments

Five audit adjustments had been identified but had all since been adjusted satisfactorily by the Authority.

##### Audit Risks

Two key financial statement audit risks had been identified in relation to Management Override of Controls and Fraudulent Revenue Recognition. Work had been undertaken with officers in relation to the risks and no matters of any significance had arisen as a result of the audit work undertaken in the two key risk areas.

### Accounts Production

The Council currently had good practices in place for the production of the accounts and good quality supporting working papers. KPMG wished to place on record their thanks to the finance team for their hard work and commitment towards producing the accounts (the Chairman concurred with this sentiment and additionally thanked the finance officers for their ongoing commitment and dedication towards their duties).

### VFM Conclusion and Risk Areas

KPMG concluded that the Authority had made proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Two risks had been identified but work had been undertaken with officers throughout the year and no matters of any significance had arisen as a result of the audit work undertaken in the two key risk areas. It was anticipated that an unqualified VFM conclusion would be issued by the end of September, 2016.

### RESOLVED

that the ISA 260 report for 2015/16, as presented to Committee by KPMG, be received and noted.

### Reason:

To ensure the accounts are compliant with the Code of Practice on Local Authority Accounting the United Kingdom 2014/15 ("the Code").

(During consideration of this item, Councillor Chris Baron returned to the meeting at 7.05 p.m.)

(Following consideration of this item, the Chairman of the Committee duly signed off the Council's Audited Statement of Accounts and the Letter of Representation for 2015/16.)

The meeting closed at 7.10 pm

Chairman.