

AUDIT COMMITTEE

**Meeting held in the Committee Room, Council Offices, Urban Road, Kirkby-in-Ashfield,
on Monday, 19th March, 2018 at 6.30 pm**

Present: Councillor Kevin Rostance in the Chair;

Councillors Chris Baron, Rachel Bissett,
David Griffiths, Paul Roberts, Robert Sears-
Piccavey and John Wilmott.

Officers Present: Lynn Cain, Ruth Dennis and Sharon Lynch.

In Attendance: John Cornett, Mandy Marples (CMAP) and
Hannah McDonald (CMAP).

AC.20 Declarations of Disclosable Pecuniary or Personal Interests and Non Disclosable Pecuniary/Other Interests

No declarations of interest were made.

AC.21 Minutes

RESOLVED

that the minutes of the meeting of the Committee held on 27th November,
2017, be received and approved as a correct record.

(During consideration of this item, Councillor Robert Sears-Piccavey entered
the meeting at 6.32 p.m.)

AC.22 KPMG: Annual Report on Grants and Returns 2016/17

John Cornett, KPMG Director, presented the report which summarised the
results of the work undertaken on the certification of the Council's 2016/17
grant claims and returns.

During 2016/17, certification work was carried out on two returns, namely
Housing Benefit Subsidy and Pooling of Housing Capital Receipts. There were
no issues with the Pooling of Housing Capital Receipts which received an
unqualified assurance report.

The Housing Benefit Subsidy Claim received a qualified assurance report due
to a number of errors found during the sample testing of Rent Allowances and
Rent Rebates. However, the errors were not significant and additional work
had been suggested to the Council to review the errors and consider additional
quality control arrangements to address the issues in the future.

The total cost for the Pooling of Housing Capital Receipts and the Housing Benefit Subsidy returns was £18,646.

RESOLVED

that the Certification of Grants and Returns for 2016/17, as presented to the Committee, be received and noted.

AC.23 KPMG: External Audit Plan 2017/18

John Cornett presented the External Audit Plan for 2017/18 to Committee.

Members were advised that apart from the advancement of the deadline for the production and signing off of financial statements, there were no significant changes to the Code of Practice on Local Authority Accounting for 2017/18 which should provide some stability in terms of the accounting standards that the Authority needed to comply with.

Two standard audit risks in relation to Fraudulent Income Recognition and Management Override of Controls would be considered including three further significant risks requiring specific attention, namely Valuation of Property, Plant and Equipment, Pension Liabilities and Faster Close.

Members were advised that KPMG could see no particular reason why the Council would not be able to meet the new deadlines for completion of their financial statements and materiality had been set for planning purposes at £1.2m.

In relation to the Value for Money (VFM) risk assessment, two significant risks had been identified in relation to Financial Resilience and Investment Properties.

Committee were asked to note that the KPMG team carrying out the audit would be the same as for the previous year with a fee of £56,036 which had not seen an increase from the 2016/17 audit costs.

Members took the opportunity to ask questions and debate the content of the External Audit Plan including methods for valuing assets, the implications of MRP on the Council's investment properties and the differences between external and internal borrowing.

RESOLVED

that the External Audit Plan for 2017/18, as presented to Committee, be received and noted.

AC.24 Pension Assumptions for 2017/18 Statement of Accounts

The Corporate Finance Manager (and Section 151 Officer) presented the report and explained the purpose of the IAS19 (International Accounting Standards) and what assumptions had been made by the Pension Fund Actuary as outlined in the briefing note.

It was acknowledged by the Committee that the Council had some scope for tweaking the assumptions if it felt necessary and for this financial year the Council had asked for an assumption to be made that the employee pay increase would be at 2% rather than 1% as in previous years.

The net pension liability for the Council as at 31 March 2017, had been calculated at £104.262m but it was acknowledged that the overall net liability changed each financial year based on actual performance of the fund and any differing assumptions as prepared by Nottinghamshire County Council's Pension Fund Schemes' Actuary, Barnett Waddingham.

RESOLVED

that having taken account of the Actuary's briefing note as appended to the report and the comments made in the Committee report, the IAS19 assumptions be agreed as the basis for the calculation of the figures required for the 2017/18 Statement of Accounts.

Reason:

It is best practice that the actuarial assumptions intended to be used in preparing the IAS19 figures within the Accounts are considered prior to their application and use in the compilation of the actuary's report. As such this report delivers the Council's obligations as part of the closure of the 2017/18 Statement of Accounts.

AC.25 Accounting Policies 2017/18 and other Statement of Account Matters

(Following introduction of this item, Councillor David Griffiths declared a Non Disclosable Pecuniary/Other Interest in relation to his current position as Chairman of the Ashfield Homes Board. His interest was such that he stayed in the meeting and took part in the discussion and voting thereon).

The Corporate Finance Manager (and Section 151 Officer) presented the report and requested Committee Members to consider the accounting policies that the Council were proposing to adopt for the current financial year in the preparation of their Statement of Accounts for 2017/18.

As part of the annual review, Council had undertaken an assessment of all the accounting policies previously agreed to check their continued relevance, clarity, legislative compliance and accordance with the latest version of the code of practice and IFRS requirements. All proposed changes were minor in nature apart from the note regarding Investment Properties due to the Council's change in position following their acquisitions in 2017/18.

The Chartered Institute of Public Finance and Accountancy (CIPFA) had recently issued a Financial Statement Bulletin relating to 2017/18. No material changes in accounting practice had been identified at this stage but this position would be continually kept under review during the production of the statements.

RESOLVED

that the Accounting Policies, as appended to the report, be approved.

Reason:

To comply with statutory and constitutional requirements.

AC.26 Internal Audit Plan 2018/19 and Audit Charter

Mandy Marples, CMAP Audit Manager, presented the report and took Members through a short presentation explaining the process for selecting audit reviews which was based upon consultation with the Council's management team and using the Council's risk registers and CMAP's bespoke risk assessment model. Each risk was assessed against 8 measures (4 impact based and 4 likelihood based) and awarded a suitable rating which formed the overall plan. For 2018/19, a risk assessment of 12 high risk areas, 67 medium risk areas and 1 low risk area had been identified and agreed with the Corporate Leadership Team (CLT).

Members considered the proposed Audit Plan for 2018/19 and took the opportunity to ask questions and debate the issue.

The Audit Charter was also presented to Committee and Member's acknowledged that the purpose of the internal audit service, provided by CMAP, was to provide independent, objective assurance and consulting services designed to add value and improve the Council's operations.

RESOLVED

that the content of the Audit Plan for 2018/19, as presented, be received and approved.

AC.27 Audit Progress Report

Mandy Marples presented the report and summarised audit progress between 1st November, 2017 and 28th February, 2018 with 7 assignments having reached their conclusion during this period. Since publication of the agenda, a further report in relation to Gas Safety had been finalised and the ICT Performance Management assignment had been submitted in draft for consideration.

Members were given a brief synopsis of the outcomes of each of the 7 assignments and it was acknowledged by the Committee that 2 of the assignments (Depot Income and Markets) had only received limited assurance. Members also considered the recommendation tracker and a short discussion was undertaken regarding possible solutions for ensuring the deadline dates for implementation of actions were met.

Committee welcomed the fact that 81% of the Plan had been completed and that CMAP were on track to meet their delivery projections for completing the Plan by the end of the 2017/18 financial year.

RESOLVED

that audit assignment progress between 1st November, 2017 and 28th February, 2018, as presented to Committee, be received and noted.

Reason:

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

AC.28 Whistleblowing Policy Update

The Director of Legal and Governance (and Monitoring Officer) presented the report and provided Members with an update as to the operation of the Whistleblowing Policy over the preceding 12 months. Previous updates had been reported to the Standards and Personnel Appeals Committee but following the Anti-Fraud and Corruption audit review, it had been recommended that the Whistleblowing Policy update be additionally reported to the Audit Committee every twelve months.

Members were given a brief synopsis of the three whistleblowing allegations that had been received during 2017/18 and accepted that there would be some minor changes to the Whistleblowing Policy and the Council's Constitution to reflect the additional reporting mechanism to the Audit Committee.

RESOLVED that

- a) the amended Whistleblowing Policy, as appended to the report, be approved;
- b) the update as to the operation of the Whistleblowing Policy over the preceding 12 months, be received and noted.

Reason:

To ensure the Committee is adequately informed to enable it to monitor the operation of the Whistleblowing Policy in accordance with the recommendation from CMAP in its audit report relating to Anti-Fraud and Corruption.

(During consideration of this item, Councillor Chris Baron left the room at 8.10 p.m. and returned to the meeting at 8.12 p.m.)

AC.29 Anti-Fraud and Corruption Update

The Director of Legal and Governance (and Monitoring Officer) presented the report and reminded Members that following the transfer of responsibility for management of the Council's internal audit function to the Governance Directorate (as part of the Corporate Leadership Team restructure), a baseline review of the Council's Anti-Fraud and Corruption measures to be undertaken by CMAP had been requested.

Following finalisation of the review in January 2018, 13 recommendations had been made to suggest improvements to the function and significant progress had been made to address the issues as indicated. Various Anti-Fraud and Corruption policies had been updated and approved and these had been placed on the Council's intranet to ensure the content of these policies were more easily communicated to staff. The policies would shortly be made available to members of the public via the Council's website.

A training programme was being considered which included an online training tool which could be rolled out to staff within the Authority. An Anti-Fraud and Corruption Working Group had also been established that was meeting regularly and were currently improving the format of the Council's Risk Registers. Officers were able to contribute and update the Register through the Pentana system thus ensuring the document remained up to date and fit for purpose.

A further piece of work would be commencing imminently in relation to data-matching and any outcomes from this would be reported to the Committee in due course.

RESOLVED that

- a) the progress made in respect of the improvement plan for the Council's approach to Anti-Fraud and Corruption be welcomed;
- b) the Fraud Risk Register, as presented, be received and noted.

Reason:

To ensure the Committee charged with overseeing the Council's approach to anti-fraud and corruption is updated in respect of progress made in relation to the improvement plan following the CMAP audit.

(During consideration of this item, Councillors John Wilmott and Robert Sears-Piccavey left the room at 8.30 p.m. and 8.31 p.m. and returned to the meeting at 8.31 p.m. and 8.34 p.m. respectively.)

The meeting closed at 8.35 pm

Chairman.