

## AUDIT COMMITTEE

Meeting held in the Committee Room, Council Offices, Urban Road, Kirkby-in-Ashfield,

on Monday, 11th March, 2019 at 7.00 pm

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

Councillors Tony Brewer, Jackie James,  
Rachel Madden and Paul Roberts.

**Apologies for Absence:** Councillors Christine Quinn-Wilcox.

**Officers Present:** Bev Bull, Lynn Cain, Ruth Dennis,  
Joanne Froggatt and Peter Hudson.

**In Attendance:** Helen Brookes (Mazars),  
Hannah McDonald (CMAP)  
Mandy Marples (CMAP).

### **AC.13 Declarations of Disclosable Pecuniary or Personal Interests and Non Disclosable Pecuniary/Other Interests**

No declarations of interest were made.

### **AC.14 Minutes**

RESOLVED

that the minutes of the meeting of the Committee held on 3<sup>rd</sup> December, 2018,  
be received and approved as a correct record subject to the resolution  
contained in Minute AC.10 being amended to read:-

*“RESOLVED*

*that the Annual Audit Letter for 2018/19, as presented to the Committee by  
KPMG, be received and noted.”*

### **AC.15 KPMG: Annual Report on Grants and Returns 2017/18**

The Council's Corporate Finance Manager (and Section 151 Officer)  
presented the report which summarised the results of the work undertaken on  
the certification of the Council's 2017/18 grant claims and returns.

During 2017/18, certification work had been carried out on the Housing Benefit  
Subsidy claim. The 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 no recommendations  
had been made to the Authority to improve its claims completion process.

RESOLVED

that the Certification of Grants and Returns for 2017/18, as presented to the Committee, be received and noted.

**AC.16 Mazars: Audit Strategy Memorandum – Year Ending 31 March 2019**

Helen Brookes presented the Audit Strategy Memorandum for the year ending 31<sup>st</sup> March, 2019 to Committee.

Members were given an overview of the following:-

- the external audit engagement scope and responsibilities;
- timelines involved for completing the audit review;
- the engagement of management and experts;
- the use of service organisations.

Three significant audit risks in relation to Management Override of Controls, Property, Plant and Equipment Valuation and Defined Benefit Liability Valuation would be considered along with a mandatory risk for Fraudulent Revenue Recognition. Three enhanced risks regarding Debt Impairment, Provision for Business Rate Appeals against the Rating List and Minimum Revenue Provision (MRP) would also be considered as part of the review.

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

Committee were asked to note that the Mazars team would be carrying out the audit at a reduced fee from the previous year of £43,148 subject to any additional work agreed during the review process.

RESOLVED

that the Audit Strategy Memorandum for 2018/19, as presented to Committee, be received and noted.

(During consideration of this item, Councillor Paul Roberts entered the meeting at 7.07 p.m.)

**AC.17 Pension Assumptions for 2018/19 Statement of Accounts**

The Corporate Finance Manger (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 could recommend that a bespoke report be used for the calculations of the Council's figures but this would come at a cost to the Authority.

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 2018/19 Statement of Accounts.

Reason:

It is best practice that the actuarial assumptions intended to be used in preparing the IAS19 figures within the Statement of 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 2018/19 Statement of Accounts.

**AC.18 Accounting Policies 2018/19 and other Statement of Account Matters**

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 2018/19.

Two new accounting standards IFRS 9 (Financial Instruments) and IFRS 15 (Revenue from Contracts with Customers) had been adopted by the Code of Practice but neither would have a material effect or impact on the Statement of Accounts for 2018/19.

RESOLVED that

- a) that the Accounting Policies, as appended to the report at Appendix 1, be approved;
- b) it be noted that any proposed amendments or changes to the policies and associated relevant financial implications will be reported back to the Committee as appropriate.

Reasons:

- 1) Part 3 of the Annual Accounts and Audit Regulations 2015 (the Regulations) requires the Council to produce an annual Statement of Accounts. In accordance with International Financial Reporting Standards (IFRS), the Statement of Accounts must include a statement of accounting policies.
- 2) The Regulations also require a draft of the Statement of Accounts to be prepared and certified by the responsible financial officer by 31st May. In accordance with best practice for local authorities, the draft accounting policies should be reviewed by Audit Committee before the draft 2018/19 Statement of Accounts is produced.
- 3) In addition, where IFRS allows a degree of choice, Audit Committee should be aware of and confirm the choices made.

## **AC.19 Audit Progress Report**

Mandy Marples, CMAP Audit Manager, presented the report and summarised audit progress as at 14<sup>th</sup> February, 2019. Three further reports had been issued in draft since publication of the agenda and due to a request by management for further assistance from CMAP in relation to an ongoing investigation, the Procurement audit review had been withdrawn from the 2018/19 Plan.

Between 1<sup>st</sup> November, 2018 and 14<sup>th</sup> February, 2019, 4 assignments had been finalised in relation to Waste Management (Whitespace), Depot Investigation, Licensing and Risk Registers. Whilst 3 of the reviews had received a 'Reasonable' assurance rating, the Depot Investigation had only received a 'limited' rating and 14 recommendations had subsequently been agreed by management to endeavour to address the weaknesses.

The Director of Legal and Governance (and Monitoring Officer) reiterated that the Corporate Leadership Team had taken on board the recommendations in relation to the Depot Investigation and had agreed that progress and performance against them would be tracked via the project management software, Pentana, thus ensuring a robust and effective response to addressing the issues raised.

Members considered the Recommendation Tracking schedule and debated the content of the 'significant' and 'moderate' risk recommendations that were still outstanding in relation to:-

- Development Control
- ECINS Security Assessment
- ICT Performance Management
- Pest Control
- Gas Safety
- Ashfield Homes – Housing Maintenance.

It was agreed by the Committee, having considered the reasons as to why the recommendations were still outstanding and the work undertaken to chase them, the relevant Managers be invited to the next meeting of the Audit Committee to explain their difficulties in implementing the agreed recommendations and to agree a suitable way forward.

RESOLVED that

- a) audit assignment progress between 1st November, 2018 and 14th February, 2019, as presented to Committee, be received and noted;
- b) the Managers responsible for the outstanding recommendations outlined on pages 101 to 106 of the report, be invited to the next meeting of the Audit Committee to explain their difficulties in implementing the agreed recommendations and to agree a suitable way forward.

Reason:

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

## **AC.20 Treasury Management Policy: Submitted to Council, 4th March, 2019**

The Corporate Finance Officer (and Section 151 Officer) advised Members that following a review of audit procedures, it had been recommended that good practice should allow for the Audit Committee to consider and authorise the Council's Treasury Management Strategy prior to its advance to Council for endorsement.

It was therefore intended that following the May 2019 elections, the scheduled Audit training session for new Members would incorporate some Treasury Management guidance in preparation for the Strategy's submission to Committee each year for consideration and approval. The Director of Legal and Governance (and Monitoring Officer) also advised that the terms of reference for the Audit Committee (as contained in the Council's Constitution) would be amended to reflect this added responsibility.

### **RESOLVED**

that the update from the Corporate Finance Officer (and Section 151 Officer) in relation to the Council's Treasury Management Strategy, be received and noted.

## **AC.21 Internal Audit Plan 2019/20 and Audit Charter**

Mandy Marples, CMAP Audit Manager, presented the report and explained 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 2019/20, a risk assessment of 6 high risk areas and 10 medium risk areas had been identified and agreed with the Corporate Leadership Team (CLT).

Members considered the proposed Audit Plan for 2019/20 and took the opportunity to ask questions and debate the issue. Committee acknowledged that the Plan remained flexible and open to change should any issues arise during the year and 318 days had been allocated to undertake the work as scheduled.

The Audit Charter was also presented to Committee which outlined the purpose of the internal audit service, provided by CMAP, 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 2019/20 and Audit Charter, as presented, be received and approved.

### **Reason:**

To keep Members informed as to the schedule of audit assignments to be carried out during the 2019/20 financial year.

## **AC.22 Whistleblowing Policy Annual 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.

Members were given a brief synopsis of the 6 whistleblowing allegations that had been received during 2018/19 and asked to accept some minor changes to the Whistleblowing Policy as presented.

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 and to keep the document up to date and fit for purpose.

## **AC.23 Corporate Risk**

The Service Manager for Corporate Services and Transformation presented the Corporate Risk Register to the Committee and outlined the framework used to identify and assess risk, how risk is monitored at a corporate level and the process for examining the Council's risk appetite as required.

The Council's risk portfolio had changed somewhat over the last two years in respect of its increase in commercial investment and its commitment towards delivering sizeable projects i.e. the new leisure centre in Kirkby. Following an Internal Audit review of risk in 2016/17 and a recommendation to ensure employees attend risk management training, the Council were now a member of ALARM which provided risk management tools in the form of good practice models and training.

Using the ALARM risk management model, the Council's present position in relation to its risk management could be judged and scored between 5 levels. The Council at present had been scored as level 3 with the Authority aiming to be at level 4 in the coming months.

The Register contained identified potential risks, obstacles and weaknesses that exist and could work against the Council in delivering its Corporate Plan. There were currently 24 entries in the Council's Risk Register including 3 new risks regarding workforce planning, succession planning and job family implementation risks.

Significant risks, new and remaining, included the Waste Directive and meeting Recycling Rates, Ethical Framework, Savings required by the Medium Term Financial Strategy (MTFS) and the ongoing level of Government funding.

It had been agreed by Management that the Risk Register would be reviewed by the Audit Committee on a bi-annual basis and quarterly through Corporate Leadership Team. There would also be Corporate Risk training given to new Members following the District Council elections in May 2019.

**RESOLVED**

that the Corporate Risk Register and progress against current corporate risks, be received and noted.

**Reason:**

To prioritise and manage the mitigation of risk in order that the Council can achieve its objectives.

The meeting closed at 8.04 pm

Chairman.