

AUDIT COMMITTEE

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

on Monday, 21st March, 2016 at 6.30 pm

Present: Councillor Lachlan Morrison in the Chair;
(as substitute for Chris Baron)

Councillors Amanda Brown, Tim Brown,
Joanne Donnelly, Tom Hollis and
Christine Quinn-Wilcox.

Apologies for Absence: Councillors Chris Baron and Kevin Rostance.

Officers Present: Lynn Cain and David Greenwood.

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

AC.30 Declarations of Disclosable Pecuniary and Non Disclosable Pecuniary/Other Interests

There were no declarations of interest made.

AC.31 Minutes

RESOLVED

that the minutes of the meeting of the Committee held on 8th December, 2015,
be received and approved as a correct record.

AC.32 KPMG: Annual Report on Grants and Returns Work 2014/15

Deborah Stokes, KPMG Manager, presented the report which summarised the results of the work undertaken on the certification of the Council's 2014/15 grant claims and returns.

During 2015/16, certification work was carried out on one claim and two returns, namely Housing Benefit Subsidy Claim, Pooling of Housing Capital Receipts and the Homes and Communities Agency (HCA) Compliance Report. There were no issues with the Pooling of Housing Capital Receipts which received an unqualified assurance report.

However, the HCA Compliance Report received a qualified assurance report due to some minor areas of non-compliance and the Housing Benefit Subsidy Claim resulted in a qualification letter being issued due to various ongoing problems as identified. As a result of the extra work carried out in relation to

the Housing Benefit Subsidy Claim the fee was £3,575 higher than the indicative fee of £16,000.

RESOLVED

that the Certification of Grants and Returns for 2014/15, as presented to the Committee, be received and noted.

AC.33 KPMG: External Audit Plan 2015/16

Sophie Jenkins, KPMG Director and Engagement Lead, presented the External Audit Plan for 2015/16 and advised that two significant risks had been identified requiring specific attention in relation to Management Override of Controls and Revenue Recognition.

In relation to the Value for Money (VFM) audit, the National Audit Office had issued new guidance in relation to the VFM audit regime with the introduction of three new sub-criteria supporting the new overall criterion on which the conclusion would be based. The recent risk assessment regarding the Council's current arrangements had identified the following as VFM significant risks:-

- Financial resilience in the local and national economy;
- Future of Ashfield Homes Limited.

The Committee were asked to note that the fee for the 2015/16 Audit Plan had been set at £56,036; a 25% reduction on the fee for the previous year. The reduction in fees for the 2015/16 financial year had been applied sector wide.

RESOLVED

that the External Audit Plan for 2015/16, as presented to the Committee, be received and noted.

AC.34 KPMG: External Audit Progress Report and Technical Update

Sophie Jenkins, KPMG Director and Engagement Lead, presented the External Audit progress report and technical update and outlined the work undertaken over the preceding three months. The Housing Benefit Subsidy Claim audit had been completed and the Certification of Claims and Returns Annual Report had been finalised and submitted to the Committee this evening.

The new team had also met with the Council's Chief Executive, Deputy Chief Executive (Resources) and the Corporate Finance Manager to introduce themselves and discuss current and emerging topics and any issues that might impact on the accounts or the VFM conclusion.

RESOLVED

that the External Audit Progress Report and Technical Update, as presented to the Committee, be received and noted.

AC.35 Ashfield District Council Audit Plan 2016/17

Adrian Manifold, the Audit Manager from the Central Midlands Audit Partnership, presented the report and by way of explanation took Members through the process for initially assessing the Council's risk against a number of agreed criteria. All areas had been thoroughly considered (in consultation with the Council's former Senior Auditor) and scored accordingly.

Following the initial risk identification exercise, the Ashfield District Council Audit Plan had been developed outlining the risk score, risk rating and planned audit review days for each area. Not all areas would be reviewed in the first year so the audit days had been assigned based on risk rating and priority. The development of an overarching strategic plan would ensure that all areas of the Authority received an appropriate audit review within the next five years.

The Audit Plan for 2016/17 was mainly focussed on the Council's main accounting systems but if a 'strong' control mechanism was revealed then the Plan would focus on alternative areas in future years. To ensure the Plan remained flexible to changing circumstances, a number of contingency days had been built into the programme to allow for emerging issues, advice investigations or follow-up audits.

Members briefly discussed the content of the Plan and various issues were raised in relation to the priority and ratings of particular risk areas. Reassurance was given that the content of the Plan could be revisited at any time although no ratings would be increased significantly within this financial year.

RESOLVED

that the content of the Audit Plan for 2016/17, as presented, be received and approved.

AC.36 Internal Audit Progress Report (1st April, 2015 to 3rd March, 2016)

Adrian Manifold presented the report as compiled by the Council. It showed progress against the current Audit Plan and four audit reviews had now been finalised. In relation to Absence Management, this review had concluded with 'Limited Assurance' and following discussions with management, a list of areas for improvement had been agreed. A suggestion was made that the matter be referred back to the Local Joint Consultative Committee for further consideration in light of the outcomes from the audit.

Members were advised however, that some of the assurance ratings given by the Council's former Internal Audit team had seemed slightly over cautious in nature and any future reviews would be rated in accordance with the scientific process adopted by the Partnership and displayed in a different format. The Committee acknowledged this course of action.

RESOLVED

that the work undertaken by Internal Audit during the period 1st April to 20th November, 2015, be received and noted.

Reason:

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

AC.37 Annual Governance Statement Update at February 2016

Committee were asked to note the recent updates to the Annual Governance Statement (AGS) for 2014/15 in advance of the required preparation for the 2015/16 Statement.

RESOLVED

that the updated position regarding the Annual Governance Statement for 2014/15 be received and noted.

Reason:

To ensure Audit Committee Members are informed on a regular basis of any changes to the Annual Governance Statement.

AC.38 Pension Assumptions for 2015/16 Statement of Accounts

The Deputy Chief Executive (Resources) 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 at Appendix A. The Council was required to comply with the financial reporting standard when producing its annual Accounts and reflect its commitment to potential retirement benefits irrespective of whether they are actually paid out.

The net pension liability for the 2014/15 financial year had been calculated at £76.110m but it was acknowledged that the overall net liability changed each financial year based on 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 outlined at Appendix A, the IAS19 assumptions be agreed as the basis for the calculation of the figures required for the 2015/16 Statement of Accounts.

Reason:

It is best practice that the actuarial assumptions used in preparing the IAS19 figures reported in the Accounts are considered prior to their agreement and use in the compilation of the Actuary's report. As such this report delivers the Council's obligations as part of the preparation of the 2015/16 Statement of Accounts.

AC.39 Accounting Policies 2015/16 and other Statement of Accounts Matters

The Deputy Chief Executive (Resources) presented the report and advised Members that the only new policy that had been introduced was in relation to transport infrastructure assets. After due consideration of the definition for this

type of asset, it had been established that the asset needed to be a 'network/grouping of inalienable components with their being no prospect of sale or alternative use. The assets owned by the Authority were not deemed to be of a 'networked' nature and would not be included in the 2015/16 Statement of Accounts under this category.

RESOLVED that

- a) the Accounting Policies outlined at Appendix A to the report, 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 Committee, as necessary.

Reason:

To comply with statutory and constitutional requirements.

The meeting closed at 7.20 pm

Chairman.