

## **AUDIT COMMITTEE**

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

**on Monday, 20th March, 2017 at 6.30 pm**

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

Councillors Chris Baron, Steve Carroll, Tom Hollis,  
Jackie James, Lachlan Morrison and  
Christine Quinn-Wilcox.

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

**In Attendance:** Sophie Jenkins (KPMG), Adrian Manifold (CMAP)  
and Mandy Marples (CMAP).

Prior to commencement of the meeting, the Chairman took the opportunity to introduce Mandy Marples from the Central Midlands Audit Partnership who was in attendance at the meeting with Adrian Manifold, CMAP's Audit Manager.

### **AC.18 Declarations of Disclosable Pecuniary and Non Disclosable Pecuniary/Other Interests**

There were no declarations of interest made.

### **AC.19 Minutes**

RESOLVED

that the minutes of the meeting of the Committee held on 28<sup>th</sup> November, 2016, be received and approved as a correct record.

### **AC.20 KPMG: Annual Report on Grants and Returns Work 2015/16**

Sophie Jenkins, KPMG Director, presented the report which summarised the results of the work undertaken on the certification of the Council's 2015/16 grant claims and returns.

During 2015/16, certification work was carried out on two returns, namely Housing Benefit Subsidy Claim 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. 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.

In response to a question, Members were informed that the indicative fees for the work on the Housing Benefit Subsidy Claim had been increased from £12,930 to £19,900 due to a larger number of cases being re-performed, time spent supporting the Benefits team to complete the workbooks and the repopulating of workbooks due to incorrect or incomplete information being provided.

Having included the £3,000 cost for the Pooling of Housing Capital Receipts, the total fee for the work for 2015/16 was £22,900.

**RESOLVED**

that the Certification of Grants and Returns for 2015/16, as presented to the Committee, be received and noted.

#### **AC.21 KPMG: External Audit Plan 2016/17**

Sophie Jenkins presented the External Audit Plan for 2016/17 to the Committee. It was acknowledged that there had been some changes to the Code of Practice on Local Authority Accounting and that this would result in some presentational changes to the Council's final accounts. Materiality for planning purposes had been set at £1.2 million and errors would be reported over the agreed level of 60k.

Two standard audit risks in relation to Fraudulent Income Recognition and Management Override of Controls would be considered and two further significant risks had been identified which required specific attention, namely 'significant changes in the pension liability due to LGPS Triennial Valuation' and 'bringing Ashfield Homes Limited back under the control of the Authority. A final area of audit focus would consider 'disclosure around retrospective restatement of Comprehensive Income and Expenditure (CIES), Movement in Reserves Statement (MiRS) and Expenditure and Funding Analysis (EFA) from 1<sup>st</sup> April, 2016.

In relation to the Value for Money (VFM) audit, the approach would be fundamentally unchanged from that adopted in 2015/16. The recent VFM risk assessment regarding the Council's current arrangements had identified one significant VFM risk in relation to 'medium term financial planning/delivery of saving plans. The risk was not unique to this Council but had been identified within other local authorities' assessments as a result of the impact of recent Government funding cuts.

**RESOLVED**

that the External Audit Plan for 2016/17, as presented to the Committee, be received and noted.

## **AC.22 Ashfield District Council Audit Plan 2017/18**

Adrian Manifold, CMAP Audit Manager, presented the report and took Members through a short presentation to explain the process for selecting audit reviews based on a modern risk-based approach. Each risk was assessed against 8 measures (4 impact based and 4 likelihood based) and awarded a suitable rating. Information was also sought from the Council's Corporate Leadership Team (CLT) to identify the Council's main risks (through its Risk Registers) with the data being combined with the results of the CMAP selection process to establish an overall Plan.

Once the process has been completed, a risk score was attributed to each audit review and prioritised as either a High, Medium or Low risk. This formed the basis of the annual Audit Plan and audit days were allocated based on the risk score and complexity of the review. However, the Audit Plan was a flexible document and changes were possible throughout the year as a result of emerging high risk issues and unavoidable diversion of resources.

The detailed Audit Plan contained a schedule of all the agreed audit reviews but Members acknowledged that there were not enough resources to undertake all the reviews annually so the Plan currently worked on a rolling 5 year programme to completion.

To conclude Committee were asked to note that the allocation of audit days for 2017/18 indicated a slant towards the Housing directorate which had resulted from the bringing back in-house of Ashfield Homes Limited in October of last year.

Members took the opportunity to ask questions and debate the issue. There was a consensus from the Committee that Members should play a more active role in monitoring Risk Management and agreed it would be prudent for the Audit Committee to have sight of the Risk Registers at its next meeting for consideration.

RESOLVED that

- a) the content of the Audit Plan for 2017/18, as presented, be received and approved;
- b) the Corporate Performance and Improvement Manager be requested to submit the Council's Risk Registers to the next meeting of the Committee (June 2017) to enable Members to review and consider the documents including their analysis of risk and order of priority for action.

## **AC.23 Ashfield District Council Audit Progress Report**

Adrian Manifold presented the report and summarised the audit progress from 1<sup>st</sup> November, 2016 until 28<sup>th</sup> February, 2017. Six assignments had been completed which had all received either a 'Comprehensive' or 'Reasonable' ranking.

The Payroll review had flagged up a 'significant risk' in relation to the absence of a robust process for ensuring the annual pension return for Ashfield was

completed in a timely manner. A recommendation had been agreed with officers to ensure an improved process was in place by 1<sup>st</sup> May, 2017. Members were reminded that monitoring recommendations was part of the service offered by CMAP and an update in relation to outstanding recommendations was included in the report.

To conclude, Members were advised that service delivery was currently a little over target which was to be welcomed. It was acknowledged that the permanent presence of the CMAP officer (formerly the Council's Senior Audit Officer) at the Council offices had greatly contributed towards this target position and had proven to be an effective way of working; something which CMAP hoped to emulate in the future with other partner organisations.

#### RESOLVED

that audit assignment progress as at 28<sup>th</sup> February, 2017, as presented to Committee, be received and noted.

#### Reason:

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

(During consideration of this item, Councillor Tom Hollis left the meeting at 7.17 p.m.)

### **AC.24 Pension Assumptions for 2016/17 Statement of Accounts**

The Corporate Finance Manger 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 2015/16 financial year, at as at 31 March 2016, had been calculated at £69.824m 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.

Members were advised that the assumptions made by the Actuary could be challenged. The Council has asked that a different assumption be applied in respect of the pay award up to 2010 (i.e. 1% rather than CPI over the period). The Committee were also asked to note that the pension liability figures would increase in future years due to the bringing back in-house of Ashfield Homes Limited and the direct delivery of the Housing service.

#### RESOLVED

that having taken account of the Actuary's briefing note as outlined at Appendix A 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 2016/17 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 2016/17 Statement of Accounts.

## **AC.25 Accounting Policies 2016/17 and other Statement of Accounts Matters**

The Corporate Finance Manager presented the report and advised Members that the content of the 2016/17 Statement of Accounts would be slightly unusual as a result of the inclusion of former AHL accounts, part way through the financial year, following the bringing in-house of Ashfield Homes Limited in October 2016. Substantial changes had already been made to the Council's accounting systems and much work was still required to be undertaken to close the company down and reacquire the assets.

Following the annual assessment of all the Council's policies, no significant amendments had been made from the accounting policies adopted in 2015/16 apart from those necessary as a result of transferring functions from the Company back to the Council. These included the following policies:

- 12. Interests in Companies & Other Entities
- 13. Inventories and Long Term Contracts.

The Chartered Institute of Public Finance and Accountancy (CIPFA) were intending to issue an accounting Bulletin giving further guidance on matters for the production of the Statement of Accounts. To date, the guidance hadn't been issued but would be taken into account when producing the statements. However, it was intended that the Income & Expenditure accounts in the statements would be reported in the same structure as reported to the Corporate Leadership Team and Members, which should make for easier reading in the future.

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.

Prior to closing the meeting, the Chairman took the opportunity to thank the Corporate Finance Manager and her team for their hard work and commitment over the previous year in relation to the AHL transfer and supporting the work undertaken by the Council's External Auditors, KPMG.

The meeting closed at 7.47 pm

Chairman.