

AUDIT COMMITTEE

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

on Monday, 25th September, 2017 at 6.30 pm

Present: Councillor Kevin Rostance in the Chair;

Councillors Lee Anderson, Chris Baron,
Jackie James, Christine Quinn-Wilcox and
Robert Sears-Piccavey.

Officers Present: Lynn Cain, Ruth Dennis, Joanne Froggatt,
Sharon Lynch and Craig Scott.

In Attendance: John Cornett (KPMG), Mandy Marples (CMAP),
Hannah McDonald (CMAP) and Councillor
Paul Roberts.

AC.06 Declarations of Disclosable Pecuniary or Personal Interests 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 24th July,
2017, be received and approved as a correct record.

Committee Membership

Officers were asked if any changes had been made to the Committee
Membership following CMAP advice (through a Member training session) that
the Audit Committee membership should be independent of both the executive
and scrutiny functions. Committee were advised that appropriate advice had
been given to Group Leaders.

AC.08 Presentation by the Corporate Finance Manager (and Section 151 Officer) - Statement of Accounts 2016/17

The Corporate Finance Manager (and Section 151 Officer) gave a
presentation to the Committee in relation to the content of the audited 2016/17
Statement of Accounts.

AC.09 Audited Statement of Accounts 2016/17 including Letter of Representation

The Corporate Finance Manager (and Section 151 Officer) presented the audited 2016/17 Statement of Accounts and highlighted the primary changes made following the outcome of the external audit as follows:-

1. Restatement of the 2015/16 Expenditure & Funding Analysis and the Comprehensive Income & Expenditure Accounts to ensure consistency and comparable figures;
2. Addition of a 'Note' regarding Assets Held as Lessor to restate the gross value of assets held for use in operating leases;
3. A paragraph was added to the Statement of Accounting Policy in relation to Measurement;
4. A reclassification of long term debtors as short term debtors following a debtors' review;
5. Addition of a 'Note' to insert a paragraph into the 'Participation in Pension Schemes' section;
6. Addition of a 'Note' at the bottom of the Group Movement in Reserves Statement;
7. Addition of two paragraphs into the Annual Governance Statement.

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.

To conclude, the Chairman took the opportunity to thank those involved in compiling the draft accounts for their continued hard work and commitment.

RESOLVED that

- a) the findings of the Statement of Accounts external audit, be received and noted;
- b) the audited Statement of Accounts for 2016/17 including the Annual Governance Statement and the associated Letter of Representation, be approved.

Reason:

To comply with statutory and constitutional requirements.

AC.10 KPMG: Report to those charged with Governance (ISA 260) 2016/17

John Cornett, KPMG's Director, presented the ISA 260 report to those charged with governance for 2016/17. 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 2017.

Audit Risks

Two significant audit risks had been identified in relation to significant changes to pension liability due to the LGPS Triennial Valuation and bringing Ashfield Homes Limited back under the control of the Authority. 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 areas.

Fraud Risks

Two presumptive fraud risks in relation to Revenue Recognitions and Management Override of Controls had been evaluated and no matters had arisen from the work that needed to be brought to the Council's attention.

Audit Focus

One area of audit focus was identified in relation to disclosures associated with retrospective restatement of CIES, EFA and MiRS. This was not considered to be a significant risk and changes had been duly made to the Statement of Accounts to address the issue.

Key Judgements

Levels of prudence were considered within key judgements in the 2016/17 financial statements and accounting estimates and a score level of 3 (balanced) had been achieved which was within the acceptable range.

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. One risk had been identified regarding financial resilience in the local and national economy but suitable arrangements were deemed to be in place to ensure the Council took properly informed decisions with partners and third parties to achieve planned and sustainable outcomes.

To conclude, the Committee's attention was drawn to the key issues and recommendations, as outlined in the report, which had been previously agreed with management for consideration and implementation over the forthcoming year. Members were advised that the total audit fee would be slightly higher than previously estimated due to some additional work being carried out in relation to the CIES restatement, the transfer of Ashfield Homes and the triennial revaluation. The Council would be advised of the final figure once it had been agreed.

RESOLVED

that the ISA 260 report for 2016/17, as presented to Committee by KPMG, be received and noted.

(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 2016/17.)

AC.11 Update Report: Housing Benefit - Estimating HB Expenditure and Subsidy

Craig Scott, the Council's Corporate Manager for Revenues & Customer Service, presented an information/update report in relation to how the Council currently estimated housing benefit expenditure and subsidy.

The Council had a statutory duty to administer Housing Benefit (HB) on behalf of the Department of Work and Pensions (DWP) and made payments directly to tenants (private sector) and rent accounts (Council tenants). The payments were funded by Housing Benefit Subsidy payments received monthly from the DWP.

Estimates of HB entitlement were provided by the Council in January each year to the DWP based on actual payments from the current year. However, the actual amount paid always differed due to deductions for overpayments, offsetting of underpayments/overpayments and adjustments. National growth forecasts were provided by the DWP but the Council was not currently in line with national trends due to the number of claimants in Ashfield decreasing at a noticeably slower rate than the national average. The Council had experienced a £624k variance (underspend) during 2016/17 due to reduced HB claims and entitlement.

To conclude, the Committee were advised that accurately estimating HB expenditure and subsidy was a difficult task that was influenced by a number of factors. However, the Council would be utilising a slightly different methodology for estimating HB expenditure and subsidy for the forthcoming year and this would hopefully mitigate against such a large budget variance in the future.

RESOLVED

that the update report, be received and noted.

AC.12 Update Report: Welfare Reform

Craig Scott presented a further update in respect of the changes to the benefits, tax credits and social care system.

The over-occupancy tax or 'bedroom tax' as it was more commonly known, had affected 835 households across the Ashfield District since its introduction. The Council had been pro-active in assisting tenants caught by the bedroom tax and to date, 78 households had been supported whilst downsizing to smaller properties.

A benefits cap had been introduced in 2013 which limited the amount a working age person could receive from welfare benefits. Originally the limit for a married couple was £26k with £22k for a single parent but this was reduced further in November 2016 to £20k for married couples/single parents and a limit of £257.69 per week for single persons without children.

130 Ashfield tenants had originally been affected by the cap but many had since found work and avoided any further capping restrictions. Larger families were more affected by the cap and DHP funding was available to assist households in need of financial support.

The 2017/18 DHP allowance had increased from 218k up to 304k and by the end of August 2017, the Council had received 604 applications for support with 501 being successful in receiving DHP assistance. The DHP budget was also able to assist households with any removal costs for downsizing to a smaller property. The Council continued to work with partners to offer ongoing support and guidance to families and households affected by the benefit changes.

RESOLVED

that the update report, be received and noted.

(During the update, Councillor Lee Anderson left the meeting at 7.32 p.m.)

AC.13 Corporate Risk Register

The Corporate Performance and Improvement Manager presented the Corporate Risk Register to the Committee and outlined the analysis of movement in strategic risk and any mitigating actions in respect of the same.

The Register contained identified potential risks, obstacles and weaknesses that exist and could work against the Council in delivering its Corporate Plan. The Corporate Leadership Team were charged with monitoring and reviewing the Council's corporate risk on a quarterly basis with Directors being responsible for escalating risks as appropriate.

The significant risks remaining (* mitigatable and remaining significant over the last 12 months) were outlined as follows:-

- Failure to have adopted LDF
- Introduction of universal credit
- Ethical framework *
- Impact of 1% rent reduction*
- Failure to make required savings as identified in MTFs*
- Ability to achieve efficiencies and compliance in procurement*
- Failure to support and safeguard vulnerable people.

An Internal Audit of risk had been undertaken during 2016/17 and the various recommendations made had been assessed and actioned without any undue delay.

The up to date position as of August 2017, had indicated that levels of

significant risks had continued to reduce whilst the total number of Corporate Risks had also reduced.

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.

AC.14 Audit Progress Report

Mandy Marples, CMAP's Audit Manager, presented the report and summarised the audit progress from 1st July, 2017 until 31st August, 2017 with 5 assignments having been completed during this period with a further 3 being issued in draft since publication of the report.

Members were briefly taken through the completed assignments. Members' attention was drawn to the External Wall Insulation Project (EWI) audit which had been a short piece of work that had focused on the EWI grant, specifically considering the finances associated with the project and how the records were being maintained. An assurance rating was not applicable in this instance and no issues had been raised in respect of this review.

As mentioned at the last meeting the Responsive Maintenance/Voids review had been carried out as an agile audit. This was a new method which involved carrying out the audit over a shorter period and engaging management throughout the process.

Committee were informed that with the agreement of the Council's Director of Legal and Governance (and Monitoring Officer), a change had been made to the agreed Internal Audit Plan. Arising from the Council's Anti-Fraud and Corruption Strategy Group it had been determined that a review of the Council's current arrangements would be prudent prior to management developing a revised strategy document.

To accommodate this change the Procurement audit had been withdrawn from the 2017/18 Plan and the time originally assigned to the audit would be used to undertake the Anti-Fraud and Corruption Audit.

CMAP's Audit Performance graph as outlined in the report, had indicated that they were slightly below target for achieving completion of the Plan in the allotted time frame but this had been due to staff holidays and annual leave requirements.

To conclude, Members briefly considered recommendation tracking and progress including the status of the two audit legacy recommendations which remained outstanding in relation to Ashfield Homes Limited. It was acknowledged by the Committee that CMAP were pleased with the progress being made in relation to the implementation of recommendations as required.

The Chairman took the opportunity to reiterate that the permanent presence of the CMAP officer (formerly the Council's Senior Audit Officer) at the Council offices had proven to be an effective way of working and that the officer was greatly contributing towards the successful delivery of the Council's internal audit service in partnership with CMAP.

RESOLVED

that audit assignment progress as at 31st August, 2017, as presented to Committee, be received and noted.

Reason:

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

The meeting closed at 7.54 pm

Chairman.