

## **AUDIT COMMITTEE**

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

**on Tuesday, 24th July, 2018 at 7.00 pm**

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

Councillors Tony Brewer, Steve Carroll,  
Rachel Madden and Paul Roberts.

**Apology for Absence:** John Cornett (KPMG).

**Officers Present:** Craig Bonar, Lynn Cain, Pete Hudson and  
Ruth Dennis.

**In Attendance:** Councillor Robert Sears-Piccavey.  
Mandy Marples and Hannah McDonald (CMAP).  
Rachit Babbar and Debbie Stokes (KPMG).

### **AC.1 Declarations of Disclosable Pecuniary or Personal Interests and Non Disclosable Pecuniary/Other Interests**

No declarations of interest were made.

### **AC.2 Minutes**

RESOLVED

that the minutes of the meeting of the Audit Committee held on 19<sup>th</sup> March, 2018, be received and approved as a correct record.

### **AC.3 Presentation by the Interim Corporate Finance Manager (and Section 151 Officer) - Statement of Accounts 2017/18**

The Interim Corporate Finance Manager (and Section 151 Officer) gave a presentation to the Committee in relation to the content of the audited 2017/18 Statement of Accounts.

### **AC.4 Audited Statement of Accounts 2017/18 including Letter of Representation**

The Interim Corporate Finance Manager (and Section 151 Officer) presented the audited 2017/18 Statement of Accounts and highlighted the primary changes made following the outcome of the external audit as follows:-

1. Minor wording changes were made to the Accounting Policies Notes; (3) Cash & Cash Equivalents, (15a) Operating Leases, (17) Property, Plant & Equipment and (23) Collection Fund to ensure they were in line with the Code of Practice on Local Authority Accounting in the UK (2017/18).
2. The Financial Instruments Table for long term liabilities included some short term loans which had to be reclassified.
3. In accordance with the CIPFA code the Property, Plant and Equipment revaluation table was restated to be shown on a cost rather than net book value basis.
4. One immaterial audit difference was identified at a value of £41k in respect of Property, Plant and Equipment. This had not been corrected in the 2017/18 accounts and did not impact on the primary financial statements. The net book value of property, plant and equipment would remain the same, however the depreciation and impairment and the gross book value would both increase by £41k.
5. The Trade Union (Facility Time Publication Requirements) Regulations 2017 required a disclosure on the Council's website by the 31st July in respect of Trade Union Facility Time. At the suggestion of the External Auditors it was considered to be appropriate to include this information within the Narrative Report section of the Statement of Accounts.

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.

RESOLVED that

- a) the findings of the Statement of Accounts external audit, be received and noted;
- b) the audited Statement of Accounts for 2017/18 including the associated Letter of Representation, be approved.

Reason:

To comply with statutory and constitutional requirements.

#### **AC.5 KPMG: External Audit ISA260 Report 2017/18**

Debbie Stokes, KPMG's Audit Manager, presented the ISA 260 report to those charged with governance for 2017/18. 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 July 2018 and it was acknowledged that the Council's financial papers, as submitted, were of a high standard.

### Audit Risks

Three significant audit risks had been identified in relation to Valuation of PPE, Pensions Liabilities and Faster Close Out. KPMG had raised two recommendations following work being undertaken with officers in relation to the risks and all necessary actions had been addressed.

### Financial Statements

Two issues had been identified following the audit work on the 2017/18 financial statements regarding liquidity cash flow and procurement. Management's response had been timely with implementation dates set for September 2018 and November 2018 respectively.

### 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. Two risks had been identified regarding financial resilience and investment properties.

On conclusion of the presentation, the Chairman took the opportunity to thank those involved in compiling the 2017/18 accounts for their continued hard work and commitment.

RESOLVED that

- a) the ISA 260 report for 2017/18, as presented to Committee by KPMG, be received and noted;
  
- b) a letter of thanks be forwarded to the Council's former Corporate Finance Manager (and Section 151 Officer), Sharon Lynch, who had recently left the Authority but had greatly contributed to the production of the 2017/18 accounts.

(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 2017/18.)

## **AC.6 Internal Audit Annual Report 2017/18**

Mandy Marples presented the Internal Audit Annual Report for 2017/18. The Chief Audit Executive had reached an overall opinion, as based on work undertaken throughout the year, that there was currently a 'satisfactory system of internal control' at the Council. Findings had indicated that on the whole, controls were satisfactory and management had accepted all of the issues raised within audit reports and had implemented recommendations as required.

The opinion had been arrived at by having regard for the following:-

1. The level of coverage provided by Internal Audit was considered adequate.
  
2. Regular meetings had been held with the Monitoring Officer to discuss emerging issues, risk, governance and the control environment at the Council.

3. All of the issues raised within the internal audit reports had been accepted.
4. A significant piece of work had been undertaken by the Council to improve its anti-fraud and corruption framework. This work principally addressed the issues raised by an audit assignment in this area.
5. Internal Audit has also been involved in the Council's Anti-Fraud group throughout the year and had observed the progress made against actions deriving from this work. Further work in relation to improving the Council's data matching had also commenced.
6. Following the restructure of the Corporate Leadership Team last year, there were still uncertainties as to whether the change in the role of the S151 Officer had been effective and this role would continue to be reviewed.
7. Of the 29 assignments that had been significantly completed, 7 attracted a 'Comprehensive' rating and 15 a 'Reasonable' assurance rating. Of the remaining 7, an assurance rating wasn't applicable to 1 assignment and 6 attracted a 'Limited' assurance rating.
8. The number of control issues formally raised by Internal Audit from the audit assignments completed during 2017/18 as summarised in the report.

Committee were advised that CMAP were themselves subjected to an external quality assessment every 5 years to ensure that their activity conformed to the Definition of Internal Auditing and the Standards and whether or not they were satisfactorily applying the Code of Ethics.

An initial assessment had been undertaken in early 2017 and some opportunities for further improvement and development were identified. An update on this position has been given in September 2017 and CMAP were found to be conforming as per the regulations.

During the year, 29 pieces of audit work had been completed with 7 receiving a 'Comprehensive' assessment, 15 a 'Reasonable' assessment and only 6 receiving a 'Limited' assurance. In relation to the recommendations, 59% had been implemented during 2017/18 with the remaining recommendations being implemented in accordance with agreed dates as appropriate.

To conclude, Committee Members were advised that by the end of the 2017/18 year, 92% of the Audit Plan had been completed against a target of 90%.

#### RESOLVED

that the 2017/18 Annual Report of Internal Audit and the Internal Audit Opinion that supports it, be received and approved.

Reason:

To approve the Annual Report as part of the documentation supporting the Annual Governance Statement.

## **AC.7 Audit Progress Report**

Mandy Marples presented the report and summarised audit progress between 1st March, 2018 and 30<sup>th</sup> June, 2018 with 10 assignments having reached their conclusion during this period.

Since publication of the agenda, a further 2 reports in relation to Commercial Property Investment and Capital Accounting had been finalised with the Fixed Assets audit review being the last piece of work to be completed from the 2017/18 Audit Plan.

There had also been 2 changes to the Audit Plan with the addition of audits relating to the Council's Fleetwave system and the Licensing function, as requested by management. To allocate adequate time to the new audits, the planned audits regarding Leisure Centres and Partnership Governance had been duly withdrawn from the 2018/19 Audit Plan.

Members were given a brief synopsis of the outcomes of the two assignments that has received limited assurance, namely E-CINS Security Assessment and Pest Control and Members also considered the recommendation tracker whilst acknowledging that there had been some effective movement by the Council to address outstanding recommendations since the agenda had been printed.

### **RESOLVED**

that audit assignment progress between 1<sup>st</sup> March, 2018 and 30<sup>th</sup> June, 2018, 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 7.47 pm

Chairman.