

AUDIT COMMITTEE

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

on Monday, 22nd July, 2019 at 7.00 pm

Present: Councillor Dave Shaw in the Chair;

Councillors John Baird, Christian Chapman,
Arnie Hankin and David Walters.

Apologies for Absence: Councillors Melanie Darrington and
Kevin Rostance.

Officers Present: Bev Bull, Ruth Dennis, Peter Hudson and
Rachel Newton.

In Attendance: Helen Brookes (Mazars), David Hoose (Mazars)
and Mandy Marples (CMAP).

AC.24 Declarations of Disclosable Pecuniary or Personal Interests and Non Disclosable Pecuniary/Other Interests

No declarations of interest were made.

AC.25 Minutes

RESOLVED

that the minutes of the meeting of the Committee held on 11th March, 2019, be
received and approved as a correct record.

AC.26 Presentation by the Corporate Finance Manager (and Section 151 Officer) - Statement of Accounts 2018/19

The Council's Corporate Finance Manager (and Section 151 Officer) provided
a presentation to the Committee giving details of the audited statement of
accounts for 2018/2019.

AC.27 Audited Statement of Accounts including Letter of Representation

The Corporate Finance Manager (and Section 151 Officer) presented the
2018/2019 Statement of Accounts and summarised performance subject to
final agreement of the external auditors.

During the presentation the areas in which an underspend had been realised
were highlighted and Members were advised on some of the reasons for this,
amongst those were:-

1. The most significant underspend on transport had been achieved through reduced contract hire costs, fuel, mileage and insurance;
2. Government grants received were in excess of the level budgeted resulting in a notable underspend on anticipated grants, fees and charges expenditure.

Members noted that the general fund summary illustrated a positive out turn for the financial year which will contribute to boosting reserves moving forwards, assisting in limiting the impact of anticipated reducing Government resources.

The Corporate Finance Manager (and Section 151 Officer) drew Members attention to the Housing Revenue Account and the associated underspend, he advised them that a large contributory factor to this had been as a result of lower borrowing amounts than originally planned for housing.

The Committee felt that the Council was in a manageable financial position, however, they acknowledged that constant monitoring and early intervention, if required, must be taken to maintain this.

The Chairman thanked those involved in compiling the Statement of Accounts.

RESOLVED

that the Statement of Accounts for 2018/2019 and the current out turn position, as presented, subject to the final agreement of external auditors be received and noted.

Reason

To comply with Statutory requirements.

AC.28 External Audit ISA260 Report 2018/19

The Corporate Finance Manager (and Section 151 Officer) provided Members with a copy of the Audit Completion Report for the year ending 31 March 2019 and invited the Committee to take a few moments to consider the content of the report.

David Hoose, Mazars Partner, presented the report to Members, he advised that there were no concerns with the accounts as presented and that Mazars were anticipating issuing an unqualified opinion on the Council's financial statements by the end of July 2019, 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:-

1. Management Override of Controls;
2. Valuation of PPE, Investment Properties and Assets;

3. Valuation of Net Defined Pension Liability.

The findings of the audit procedure were that no material errors or uncertainties had been identified in the financial statements or other matters to which Members attention should be drawn in respect of points 1 and 2 above.

In respect of point 3, whilst the majority of the work undertaken on the Council's defined benefit pension liability did not identify any issues the following issue should be noted by Members.

All local authorities were affected by an accounting issue that impacts the valuation of pension liabilities. Guaranteed Minimum Pensions and McCloud/Sergeant creates uncertainty around whether the pension liabilities are fairly stated. The Council's actuary (via the Pension Fund) did not make an allowance in its actuarial valuation for either of these cases, early guidance given to councils was that the impact would not be material.

The Council, as with nearly all local authorities in England, prepared the financial statements on this basis. These cases give rise to a constructive obligation, which is required to be recognised under IAS 19, as a result the Council had obtained a revised valuation from the Pension Fund via its actuarial expert incorporating these two issues.

The Council has updated the financial statements in light of these changes, with the final figure yet to be agreed.

Financial Statements

Four issues had been identified during the audit of the 2018/2019 financial statements relating to bank reconciliations, year end loan, related parties and land registry. The strengthening of internal controls will alleviate these issues.

VFM Conclusion and Areas of Risk

In conclusion Mazars had found that the Authority had made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. Two risks had been identified regarding financial resilience and investment properties.

RESOLVED

that the ISA 260 report, as presented at the meeting by Mazars, be received and noted;

(Following consideration of this item, the Chairman of the Committee duly signed off the Council's audited accounts and the Letter of Representation for 2018/2019)

(Councillor Blagden who had been in attendance left the meeting at 8.00pm)

AC.29 Council's Treasury Management and Borrowing Activities 2018/19

The Chief Accountant presented the report to Members providing information on the activities which the Council carries out to manage both its funding and its cash flow whilst minimising the risks to which the Council is exposed when borrowing and lending monies.

The Committee were advised that the Treasury Management Policy Statement includes a requirement for the production of an Annual Report on the Treasury Management activities undertaken during the year and also incorporated in the Council's Financial Regulations and is considered as good practice in the CIPFA Code of Practice for Treasury Management.

Further that the performance in 2018/19 against the prudential indicators, as previously agreed by Members, in order to ensure that borrowing and lending are controlled within reasonable limits, in line with good practice.

The Chief Accountant went on to advise Members that training would be provided around treasury management in the coming year.

RESOLVED

that the performance as outlined in the report be received and noted.

Reason

To meet the requirements of the Council's Financial Regulations (C.30).

AC.30 Internal Audit Annual Report 2018-2019

Mandy Marples, CMAP Audit Manager, presented the Internal Audit Annual Report for 2018/19. The Chief Audit Executive (Mandy Marples) had reached an overall opinion that there is currently a 'satisfactory system of internal audit' at the Council. Findings had indicated on the whole, controls were satisfactory, management had been supportive in implementing suggested enhancements.

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

- the level of coverage provided by Internal Audit was considered adequate;
- work had been planned and performed so as to obtain sufficient information and explanation considered necessary in order to provide evidence to give reasonable assurance that the organisation's control environment is operating effectively;
- organisational independence and objectivity had not been subject to any impairment in fact or appearance; the scope of the work undertaken had not been restricted in any way and the support of Senior Management and the Audit Committee had been readily given;

- during 2018/19 the Internal Audit Plan was subject to a number of changes in order to accommodate emerging risks and a complex investigation. As a result of the investigation Management have utilised Pentana, to follow up the weaknesses identified;

The Members were advised that CMAP themselves were subject to external quality assessments. An initial assessment was undertaken in February 2017 with the updated position in September 2017 reflecting a level of general conformance.

Of the substantially completed assignments, 20 had attracted either a Comprehensive or Reasonable assurance rating with 4 given a Limited assurance rating. The pieces of work which had been undertaken on Data Protection and Anti-Fraud could not be assigned an assurance rating due to nature of the review.

Arising from the completed assignments a total of 119 recommendations were made, 77 of which were categorised as low risk, 41 were considered to be a moderate risk with the remaining 1 presented a significant risk. There were no critical risk findings.

RESOLVED

that the 2018/19 Annual Report of Internal Audit and Internal Audit Opinion that supports it, be received and noted.

Reason:

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

AC.31 Audit Progress Report

Mandy Marples, CMAP Audit Manager, presented the report summarising the audit progress from 15th February, 2019 until 8th July, 2019 with 8 assignments having been completed during this period.

Members' attention was drawn to the Fleetwave management audit which had achieved only a Limited assurance during the audit process. The fleet management system was in use on a County wide basis with an overall system manager.

The Director of Legal and Governance (and Monitoring Officer) advised the Committee that the CMAP IT audit process work will provide guidance at the purchasing stage of new systems and is included in the DST programme.

The legacy recommendation relating to Ashfield Homes Ltd is awaiting completion, this cannot be achieved until the service review has been undertaken and will remain as an outstanding item until such time as it can be finalised.

RESOLVED

that the audit progress on audit assignments as at 30 June, 2019, as presented to Committee, be received and noted.

Reason:

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

AC.32 Anti-Fraud and Corruption Update 2019

The Director of Legal and Governance (and Monitoring Officer) presented the report providing an overview and update in respect of the Council's approach to anti-fraud and corruption. Advising the Committee that the basic principles of any Local Authority should be the following:-

- stop fraudulent cases from entering Council systems;
- find any fraudulent cases already in the system;
- stop payments from going to people who are not entitled to it;
- punish those people who commit fraud;
- recover any fraudulent overpayments;
- deter people from trying to commit fraud.

The Central Midlands Audit Partnership (CMAP) had carried out a baseline audit of the Council's Anti-fraud and corruption measures in light of changes to the Council's internal audit provision, the housing management function returning to in-house provision, the transfer of the benefit fraud officers to DWP and the introduction of new CIPFA guidance relating to the Code of Corporate Governance.

The Audit was finalised in January 2018 and found that CMAP was able to provide reasonable assurance as most of the areas reviewed were found to be adequately controlled, however, there were some systems requiring improvements. Thirteen recommendations were made and accepted, ten of which have been completed, the three remaining recommendations are in the process of being implemented.

The National Fraud Initiative (NFI) is a sophisticated data matching exercise that matches electronic data within and between participating bodies to prevent and detect fraud. Every two years the NFI provides local authorities with matches against Council information in areas of risk to the taxpayer. During 2018/19 the Council received 2049 matches across all the NFI datasets.

Derby City Council's Counter Fraud Team is in the process of reviewing the NFI "801 Council Tax Single Person Discount" report on behalf of the Council. This report contains data as a result of matching Council Tax single person discount records against the electoral roll records.

Members were advised that to date the amount billed as a result of this exercise realises an actual council tax discount saving of £25,620.81.

The Director of Legal and Governance (and Monitoring Officer) advised the Committee that in order to ensure a robust Anti-Fraud and Corruption framework was maintained a number of actions were required, they include:-

- reviewing policies and processes to ensure they remain fit for purpose and in line with current best practice. It is anticipated that the updated policies will be finalised in readiness for the Audit Committee on 2 December, 2019;
- finalising training in relation to bespoke revenues and benefits training and the roll out of the generic electronic tool;
- implement the recommendations suggested by CMAP to ensure that a clear corporate approach to NFI and data matching is developed with the lead officer monitoring and managing output to ensure that resources are utilised as effectively as possible;
- Derby City Council's Counter Fraud Team has recommended the creation of a referrals system for the Council to refer allegations. This would enable all potential fraud cases to be tracked and recorded.
- the Counter Fraud Team have also recommended developing an online Anti-Fraud portal.

RESOLVED

that the Committee note the overview and update in respect of the Council's approach to anti-fraud and corruption and support the actions detailed within the report.

Reason:

To ensure the Committee charged with overseeing the Council's approach to anti-fraud and corruption is updated and able to challenge and comment upon the Council's efforts to prevent, detect and investigate fraud.

The meeting closed at 8.43 pm

Chairman.