

**AUDIT COMMITTEE
19th July, 2017**

Present:- Councillor Wyatt (in the Chair); Councillors Cowles, Evans and Walsh and Bernard Coleman (Independent Person).

Debra Chamberlin, KPMG, was also in attendance.

An apology for absence was received from Councillor Sansome.

70. QUESTIONS FROM MEMBERS OF THE PUBLIC OR THE PRESS

There were no members of the public or the press present at the meeting.

71. MINUTES OF THE PREVIOUS MEETING HELD ON 19TH APRIL, 2017

Consideration was given to the minutes of the previous meeting of the Audit Committee held on 19th April, 2017. The Committee noted that:-

(a) (Minute No. 56 – Audit Committee Self-Assessment) – David Webster gave a synopsis of the responses received from the self-assessment. It was felt that the Committee had scored itself very harshly and that it was very effective because of the challenging questions that were asked.

(b) Training – training sessions would be held prior to the Audit Committee as follows:-

Statement of Accounts	September, 2017
Code of Corporate Governance	November
Treasury Management	February, 2018
Risk Management	April

72. DRAFT STATEMENT OF ACCOUNTS

Further to Minute No. 59 of 19th April, 2017, Graham Saxton, Assistant Director Financial Services, presented the Draft Statement of Accounts 2016/17 which had been published on the Council's website on 30th June, 2017, as required under the Accounts and Audit Regulations 2015.

The publication of the unaudited accounts triggered a period of 30 working days (ending on 11th August, 2017) for local electors to exercise their rights to inspect the accounts and supporting records and to ask questions of the external auditor.

The external audit of the unaudited accounts was also underway with KPMG to report their findings to the September meeting of the Committee.

The deadline for publishing the audited accounts was 30th September, 2017.

The main changes to the 2016/17 accounts were:-

- Change of the format of the Comprehensive Income and Expenditure Statement
- The introduction of the new Expenditure and Funding Analysis disclosure note
- The change in discount factor used to value Council dwellings

The Highlights Report (Appendix B) summarised the key financial disclosures reported in the 2016/17 draft Statement of Accounts and provided further detail on each of the key financial issues referred to above.

Discussion ensued on the report. The reassessment of the stock evaluation which had caused significant alteration in the Housing Revenue Account figures was queried together with the significant increase in rent arrears. It was noted that these issues would be picked up in the further report to be submitted in September.

Resolved:- That the draft 2016/17 Statement of Accounts be received.

73. ANNUAL GOVERNANCE STATEMENT 2016-17

Consideration was given to the 2016-17 draft Annual Governance Statement (AGS) presented by Judith Badger, Strategic Director of Finance and Customer Services.

In producing the 2016-17 AGS, the Council had gathered sufficient evidence to support the statements that it had made. Each Strategic Director had been asked to oversee a self-assessment of governance in their Directorate. This had comprised of completion of a self-assessment form based on the Principles and Sub-principles in the Local Code by each Assistant Director as well as a review and update of the detailed issues raised in the 2015-16 AGS. Each Strategic Director was also required to sign a Statement of Assurance based on the information arising from their review of current and previous governance issues.

The Corporate Governance Group had reviewed evidence contained within the returned Statements of Assurance as well as considering which issues were of sufficient significance to require reporting in the Statement. The Group had then produced the AGS.

The AGS would be updated by 30th September to reflect any issues that emerged between now and the completion of the final Statement of Accounts. It would also take account of any comments made by the Committee and external auditor.

The overall conclusion of the review of governance was that the Council had continued to make good progress on its improvement journey throughout 2016-17. Positive progress continued to be made on

delivering the commitments made in the Council's Improvement Plans which was further supported by the restoration of additional powers to the Council throughout 2016-17 by the Secretary of State.

Although there remained 6 service areas where powers were yet to be returned, the evidence in place throughout the 2016-17 supported a conclusion that, overall the Council had demonstrated good governance and met its Best Value duty throughout the year.

Consultation had taken place with the Strategic Directors, the Strategic Director of Finance and Customer Services, the Assistant Director Legal Services and the Chief Executive.

Recommended practice required the Leader of the Council and the Chief Executive to sign the Annual Governance Statement prior to its publication.

Resolved:- (1) That the 2016-17 draft Annual Governance Statement be noted.

(2) That the requirement for the Leader and Chief Executive to sign the Statement prior to the publication of the Annual Governance Statement in September, 2017, be noted.

(3) That the final version of the Annual Governance Statement be submitted to the September meeting of the Audit Committee following completion of the audit of accounts by KPMG.

74. EXTERNAL AUDIT 2016-17 - INTERIM AUDIT REPORT

Further to Minute No. 61 of 19th April, 2017, consideration was given to a report presented by Debra Chamberlain, KPMG, summarising the key findings arising from interim audit work conducted in relation to the Council's 2016-17 financial statements and work done up to June 2017 to support the Value for Money conclusion.

Section 2 of the External Interim Audit 2016-17 summarised the headline messages from KPMG's work to date, Section 3 financial statements and Section 4 the Value for Money conclusions. The recommendations were:-

- Timely removal of leavers from IT systems
- Appropriate approval of new joiners onto IT systems
- Segregation of duty over the preparation and approval of journals

Together with 2 significant Value for Money risks:-

- Governance arrangements
- Reserves and financial position

It was noted that KPMG had IT trained auditors. For the more complex areas they would use one of their IT experts.

Resolved:- That the report be received and its contents noted.

75. ANNUAL TREASURY MANAGEMENT REPORT AND ACTUAL PRUDENTIAL INDICATORS 2016/17

In accordance with Minute No. 20 of the Cabinet and Commissioners' Decision Making Meeting on 10th July, 2017, consideration was given to a report presented by Graham Saxton, Assistant Director of Financial Services, which detailed how the Council approved the Treasury Management Strategy in March, 2016, and received a mid-year report on 25th January, 2017, representing a mid-year review of treasury activity during 2016/17.

The Annual Treasury Management report was the final treasury report for 2016/17. Its purpose was to review the treasury activity for 2016/17 against the Strategy agreed at the start of the year.

The report also covered the actual Prudential Indicators for 2016/17 in accordance with the requirements of the Prudential Code.

Presentation of the report met the requirements of both the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code for Capital Finance in Local Authorities.

The Council was required to comply with both Codes through Regulations issued under the Local Government Act 2003.

Appendix A of the report submitted gave a summary of the Prudential Indicators.

Resolved:- That the Annual Treasury Management Report be approved.

76. INTERNAL AUDIT QUALITY ASSURANCE IMPROVEMENT PROGRAMME

David Webster, Head of Internal Audit, reported that Internal Audit was a major source of assurance to the Council on the framework of control, risk management and governance. It was, therefore, important that it operated in conformance with Public Sector Internal Audit Standards.

An internal self-assessment had been completed in January 2017 which had showed partial conformance with the standards. As a result the Quality Assurance and Improvement Programme had been produced to address the areas where conformance was not achieved.

The Improvement Programme would be implemented throughout the year and progress would be reported to the Audit Committee.

Resolved:- That the report be noted.

77. AUDIT COMMITTEE PROSPECTUS AND FORWARD WORK PROGRAMME

David Webster, Head of Internal Audit, presented a draft 2017-18 Prospectus which outlined the Audit Committee's objectives, how the Committee would operate and how it would deliver its objectives through its work plan.

It highlighted key activities to be carried out in relation to risk management, corporate governance, accounting and internal and external audit.

It was noted that advice had been sought from the Assistant Director of Legal Services with regard to the relationship between the Committee and the Overview and Scrutiny Management Board and as to whether the Committee should contribute to the Board's discussions on work programme.

Resolved:- That the 2017-18 Audit Committee Prospectus be approved.

78. ITEMS FOR REFERRAL FOR SCRUTINY

There were no items for referral to Scrutiny.

79. EXCLUSION OF THE PRESS AND PUBLIC

Resolved:- That under Section 100A(4) of the Local Government Act 1972, the public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12(A) of such Act indicated, as now amended by the Local Government (Access to Information) (Variation) Order 2006 (information relates to finance and business affairs).

80. PROCESSES IN PLACE IN RESPECT OF THE SALARY PAYMENT

This item was deferred until the next meeting.

81. STRATEGIC RISK REGISTER

Simon Dennis, Corporate Risk Manager, presented the current Strategic Risk Register which took account of updates from Directorates, the Strategic Leadership Team and the Audit Committee.

The Register was currently updated every 6 weeks with the latest update presented to the Strategic Leadership Team on 25th October, 2016.

The current Register had been constructed from updates provided by risk owners. There was one new risk and no risks had been removed; there were now 19 risks on the Strategic Risk Register.

It was noted that the format of the Register had been amended to improve the focus and actions that needed to be carried out in order to reduce the level of risk and clarity of the risk scoring. However, assurance was provided that the detail was still there and contained within the individual Directorate Risk Registers.

Work with Risk Champions over the coming months would include investigating how risk management linked to performance management.

Resolved:- That the updated Strategic Risk Register be noted.

82. RISK REGISTER - REGENERATION AND ENVIRONMENT

Councillor Lelliott, Cabinet Member, Jobs and the Local Economy, together with Damian Wilson, Strategic Director, presented the Regeneration and Environment's Directorate Risk Register and risk management activity in particular highlighting:-

- How the Register was maintained/monitored and at what frequency
- Cabinet Member involvement
- How risks were included on/removed from the Register
- Anti-fraud activity in the Directorate

Discussion ensued with the following issues raised:-

- The new Emergency Plan had been tested at desktop but needed a "live" test
- The performance of the Risk Register was monitored fortnightly at Directorate Leadership Team meetings
- The recent retendering of the Home to School Transport contract and the proposed changes to Policy which was to be submitted to Cabinet in September 2017
- Current status of the Local Plan

Resolved:- That the progress and current position in relation to risk management activity in the Regeneration and Environment's Directorate be noted.

83. INTERNAL AUDIT ANNUAL REPORT

Consideration was given to a report presented by the David Webster, Head of Internal Audit, on the role of Internal Audit, the work completed during the 2016/17 financial year and highlighted the key issues that had arisen. It provided the overall opinion of the Head of Internal Audit on the adequacy of the Council's control environment as well as the performance of the Internal Audit function during 2016/17.

Appendix 1 of the report submitted included:-

- Legislative requirements and Professional Standards
- The Head of Internal Audit's annual opinion on the control framework, risk management and governance
- Resources and audit coverage during the year
- Summary of audit work undertaken during 2016/17 including both planned and responsive/investigatory work
- Summary of other evidence taken into account for control environment opinion
- Summary of audit opinions and recommendations made
- Internal Audit Performance Indicators

Consideration was also given to Appendix A which set out a summary of the audit opinions and recommendations that had arisen from audit work completed during the period.

Discussion ensued on the report with issues raised/clarified around:-

- Staffing of the Internal Audit team/use of external consultants and agency staff
- Internal Control
- Audits with opinion of Partial or No Assurance
- Pursuance of outstanding Audit recommendations
- CYPS Improvement Plan

Resolved:- (1) That the Internal Audit work undertaken during the 2016/17 financial year and the key issues that had arisen therefrom be noted.

(2) That the overall opinion of the Head of Internal Audit be noted.

(3) That the information contained regarding the performance of Internal Audit during 2016/17 be noted.

84. INTERNAL AUDIT PROGRESS REPORT FOR THE PERIOD MID-MARCH 2017 TO 31ST MAY 2017

Consideration was given to a report presented by David Webster, Head of Internal Audit, which provided a summary of Internal Audit work completed during March to May, 2017, and the key issues that had arisen therefrom.

Performance against Key Indicators was generally positive, however, productive time had been hit by sickness during the period impacting upon the completion of the Audit Plan.

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Summary conclusions in all significant audit work concluded during March to May 2017 were set out in Appendix B of the report submitted. Three Partial Assurances and one No Assurance audit opinions had been issued during the period.

Discussion ensued with the following issues raised/clarified:-

- Confidential waste disposal linked into the disposal of buildings
- The refreshed Asbestos Management Plan

Resolved:- (1) That the performance of the Internal Audit Service during March and May 2017, and the key issues that had arisen therefrom be noted.

(2) That the actions taken by management in respect of performance be noted.

(3) That an update be submitted to the next meeting on the actions that had been completed and those that are over 12 months old.

85. DATE OF NEXT MEETING

Resolved:- That future meetings be held on Tuesdays subject to room availability.