

**MINUTES OF A MEETING OF THE
AUDIT COMMITTEE
HELD ON 26 SEPTEMBER 2017 FROM 7.00 PM TO 7.50 PM**

Committee Members Present

Councillors: Anthony Pollock (Chairman), David Chopping (Vice-Chairman), Prue Bray and UllaKarin Clark

Also Present

Madeleine Shopland, Democratic and Electoral Services Specialist

Adrian Balmer, Ernst and Young

Helen Thompson, Ernst and Young

Graham Ebers, Director of Corporate Services

Catherine Hickman, Lead Specialist Audit and Investigation

John Ogden, Lead Specialist (Finance)

Paul Ohsan Ellis, Strategy and Commissioning Support Manager

Jonathan Ross, Senior Specialist (Finance)

16. APOLOGIES

An apology for absence was submitted from Councillor Barrie Patman

17. MINUTES OF PREVIOUS MEETING

The Minutes of the meeting of the Committee held on 13 June 2017 were confirmed as a correct record and signed by the Chairman subject to the following amendment.

‘With regards to capital borrowing £147,386million had been borrowed externally’ to read ‘With regards to capital borrowing £147.386million had been borrowed externally.’

18. DECLARATION OF INTEREST

There were no declarations of interest submitted.

19. PUBLIC QUESTION TIME

There were no Public questions.

20. MEMBER QUESTION TIME

There were no Member questions.

21. EXTERNAL AUDIT ANNUAL GOVERNANCE REPORT 2016/17

Members received the External Audit Annual Governance Report 2016/17.

During the discussion of this item the following points were made:

- The External Audit Plan 2016-17 had been presented to the Committee in February 2017.
- Ernst & Young expected to issue an unqualified audit opinion on the financial statements subject to the satisfactory completion of a number of items set out within the report.
- Adrian Balmer took the Members through the report. He highlighted areas of audit focus, including management override, expenditure and funding analysis and the Private Finance Initiative.
- Experts had been relied on for three major areas in the Audit Plan; Pensions Valuation, Property Valuation and the Private Finance Initiative.

- It was noted that misstatements in the financial statements and disclosures identified during the audit had been corrected by management.
- The Committee was informed that the Council had failed to comply with the requirements of the Local Audit and Accountability Act 2015 Period of Public Inspection Notice. The regulations stated that the period for public inspection notice must include the first 10 working days of July 2017. Councillor Bray questioned why this had not been achieved. The Lead Specialist (Finance) indicated that this had been the result of an oversight. However, the Council had achieved the requirement that the audit should be advertised for a period of 30 working days.

RESOLVED: That the External Audit Annual Governance Report 2016/17 be noted.

22. FINANCIAL STATEMENTS 2016/17

The Committee received the Financial Statements 2016/17.

During the discussion of this item the following points were made:

- Members had previously received a training session on the draft accounts.
- Following the Local Government Finance Settlement in January the Council had suffered a reduction in formula grant of 50.6%.
- The deficit on the provision of services, including the Housing Revenue Account (HRA) was £6.0m which, after the required accounting adjustments (including capital financing) became a deficit of £0.3m on the General Fund and a deficit of £0.9m for the HRA. The General Fund balance at 31 March 2017 was £10.0m and for the HRA £4.9m.
- The usable capital receipts reserve as at 31 March 2017 stood at £8.0m and the usable capital grants and contributions reserve stood at £7.3m.
- School balances had decreased to £2.8m at 31 March 2017 from £4.6m at 31 March 2016, while the Dedicated Schools Grant central reserve had decreased to £1.4m at 31 March 2017 from £2.2m at 31 March 2016.
- Members were informed of a number of minor changes which had been made following the publication of the accounts.
- Ernst & Young had requested a number of minor changes to the Annual Governance Statement which had been previously considered by the Committee. The Committee received the amended Annual Governance Statement.

RESOLVED: That the Financial Statements and letter of representation for 2016/17 be approved.

23. CORPORATE RISK REGISTER REFRESH - SEPTEMBER 2017

The Director of Corporate Services presented the Corporate Risk Register.

- Risk 28 *'inability to cope with increased burdens associated with the change to eligibility criteria and other additional requirements of the Care Act'* had been removed from the Corporate Risk Register. Councillor Bray questioned whether this remained a risk on the service risk register and was informed that the risk had been des-escalated to service level. It was appreciated that there may be further changes to legislation in future.
- Risk 27 *'failure of Health and Social Care system'* had been amended to reflect the ongoing national programme Sustainable Transformation Partnerships' aligning effectively with Borough Governance.

RESOLVED: That the risks and mitigating actions of the Council's corporate risks as detailed in the Corporate Risk Register be noted.

24. 2017/18 INTERNAL AUDIT AND INVESTIGATION - Q1 PROGRESS REPORT

The Lead Specialist Audit and Investigations presented the 2017/18 Internal Audit and Investigation Q1 Progress Report which detailed the work carried out by the Shared Internal Audit and Investigations team between 1 April 2017 to 30 June 2017.

During the discussion of this item the following points were made:

- The team was on target to achieve the amended audit plan. In addition the team was up to full complement.
- The Housing Rents audit shown as draft within the report, was near completion. Members expressed concern that the Housing Rent and Debtors audits had received or were likely to receive, the audit opinion of 3.
- Members expressed concern at the level of housing rent arrears. The Director of Corporate Services emphasised that 96% of housing rents had been collected in the last year and that a housing rents project had been established to make improvements regarding issues in this area. The Committee would be updated on housing rent arrears at its next meeting.

RESOLVED: That the 2017/18 Internal Audit and Investigation Quarter 1 Progress Report be noted.

25. REVIEW OF PROPOSED ADDITIONS TO THE PROCUREMENT AND CONTRACTS RULES AND PROCEDURES

The Committee received a report regarding proposed additions to the Procurement and Contracts Rules and Procedures within the Constitution.

During the discussion of this item the following points were made:

- The Strategy and Commissioning Support Manager highlighted three proposed minor changes that sought to clarify particular procedures and to address weaknesses within the system that had become apparent following case law.
- It was also proposed that the threshold for legal involvement in contracts be increased to £100,000 from £50,000. Members were informed that Shared Legal Solutions had created model contracts that did not allow changes other than commercial terms (cost and specification) and that any contracts requiring modification other than standard terms would be referred to Shared Legal Solutions.
- Members were satisfied with the proposed amendments to the Procurement and Contract Rules and Procedures.

RESOLVED: That changes detailed within the report to the Council's Procurement and Contracts Rules and Procedures which form part of the Council's Constitution, be recommended to Council, via the Constitution Review Working Group.

26. FORWARD PROGRAMME 2017/18

The Committee considered the forward programme for the remainder of the municipal year.

During the discussion of this item the following points were made:

- The Committee would receive an update on housing rent arrears at its December meeting. Members felt that it would be helpful if this update also contained information on work being carried out to improve debtors.
- In response to a question it was confirmed that Officers would be consulted with, with regards to the dates of committee meetings for the next municipal year.

RESOLVED: That the forward programme for the remainder of the municipal year be noted.