

Audit Committee – 26 February 2019

Minutes of the meeting of the **Audit Committee** held on **26 February 2019** when there were present:-

Chairman: Cllr Mrs L A Butcher
Vice-Chairman: M J Lucas-Gill

Cllr J D Griffin

Cllr M Hoy

Cllr Mrs C A Pavelin

Cllr Mrs L Shaw

Cllr P J Shaw

Cllr D J Sperring

APOLOGIES FOR ABSENCE

Apologies for absence were received from Cllrs N L Cooper and A H Eves.

SUBSTITUTES

Cllr Mrs D Hoy - for Cllr A H Eves

OFFICERS PRESENT

John Bostock

N Lucas

M Porter

J Kevany

B West

S Worthington

- Assistant Director, Democratic Services

- Section 151 Officer

- Chief Audit Executive

- Principal Auditor

- Auditor

- Democratic Services Officer

ALSO PRESENT

D Hanson, Ernst & Young

41 MINUTES

The Minutes of the meeting held on 27 November 2018 were approved as a correct record and signed by the Chairman.

42 EXTERNAL AUDITOR REPORTS – UPDATES 2017/18

The Committee considered the report of the Assistant Director, Democratic Services setting out the current position on the external auditor's recommendations arising from the 2017/18 audit results report to the Audit Committee.

In response to a Member concern relating to the first recommendation on page 6.3 of the report in respect of 'achievement of savings needed over the medium term' that the management response did not appear to be addressing the EY recommendation around transparency to the public in respect of the medium term financial strategy, officers advised that there was a lot of detail included in the recent report to Council on the medium term financial strategy. The budget report would not necessarily set out in full all options considered; however,

officers were satisfied that the Council had met the requirements of its external auditors. The auditors have not yet completed their Value for Money (VFM) assessment in respect of the 2018/19 budget; however, if EY did have any concerns it would raise these as part of the assessment of the Council's year end accounts and VFM conclusion. The Member reiterated that he was concerned that if a more detailed breakdown of the MTFs assumptions was not included in officers' reporting he did not see how the Council could provide appropriate assurance that it was on target to make necessary cost savings.

The external auditor emphasised that the EY recommendations were aimed at improving the Council's processes; they did not state that there was anything fundamentally wrong. The key issue for EY was around the first recommendation, relating to savings. This would be examined by EY this year and reported back to Members in due course.

In response to a further Member question relating to page 6.3 of the report, as to whether the Council had been able to set targets for all performance measures, officers confirmed that all the performance measures had key indicators and these had been reported to the Executive and were thus in the public domain.

Officers emphasised, in response to reference made by a Member to EY's comment on page 6.8 of the report that similar recommendations had been made by them in the previous year around timeliness of completion of key audit work, that there had been an issue in respect of Internal Audit resource; however, there had been a full complement of staff since October. Work had accordingly had to be prioritised; all work required in order to inform the Chief Audit Executive's audit opinion in respect of the annual governance statement would be completed. In response to a supplementary question relating to audit work for next year, officers stated that Internal Audit was currently fully staffed and a new audit plan would be in place for next year.

In response to a Member query relating to VAT arrangements with Sanctuary Housing, set out on page 6.6 of the report, officers emphasised that this was an historic issue going back some ten years or so. Sanctuary Housing's accounts were audited separately and their accountants were satisfied that the scheme was compliant. A new technical accountant was due to take up post at the Council next week who would be asked to look at this particular issue in some detail. However, it was possible that no further documentation would be uncovered; Sanctuary had not been concerned about this particular issue during the past several years.

Resolved

That the updates provided in the monitoring sheet appended to the officer's report in respect of the external auditor's recommendations be noted. (ADDS)

43 EXTERNAL AUDITOR REPORT: CERTIFICATION OF CLAIMS AND RETURNS ANNUAL REPORT 2017/18

The Committee considered the report of the Section 151 Officer drawing Members' attention to the Certification of Claims and Returns Annual Report 2017/18.

In response to a Member question relating to under payments of benefits to claimants, officers confirmed that the Department for Work and Pensions was only interested in any over payment of benefits claims. However, in instances where testing identified that claimants were under paid, Council officers worked to correct any such under payments.

Resolved

That the certification of claims and returns annual report 2017/18 be noted. (S151O)

44 2018/19 EXTERNAL AUDIT – AUDIT PLAN REPORT

The Committee considered the report of the Section 151 Officer presenting the external auditor's annual audit plan covering the audit for 2018/19.

Responding to a Member query about the issue of pension valuation detailed on page 8.7 of the report, officers confirmed that the Council's pension fund deficit was a Rochford District Council, rather than an Essex County Council figure, and represented the actuarial valuation of the difference between the present value of all future liabilities and assets of the pension fund for the Council.

Officers confirmed, in response to a Member enquiry relating to the valuation of land and buildings risk detailed on page 8.8 of the report, that this would not be affected this year by the Council's asset strategy since no works would commence until 2020/21.

In response to a Member question relating to the new risk outlined on page 8.8 of the report relating to Finance team capacity, officers advised that a new Technical Accountant would be taking up post at the Council next week.

Resolved

That the external auditor's annual audit plan for 2018/19 be noted. (S151O)

45 EXTERNAL AUDITOR'S LOCAL GOVERNMENT AUDIT COMMITTEE BRIEFING

The Committee noted the external auditor's Audit Committee Briefing.

46 AUDIT PROGRESS REPORT

The Committee considered the report of the Assistant Director, Democratic Services providing Members with an update on completed audit engagements, delivery of the audit plan and progress on implementing audits.

In response to a Member question as to whether the Council had procedures in place to ensure its leisure facilities were maintained to an appropriate standard in the run up to the end of the current leisure contract, officers advised that the audit work had not included existing building condition surveys, but had focused rather on day to day issues around health and safety, etc. The Member expressed concern that there was a possibility that Members were not receiving reports relating to building condition, maintenance, etc in respect of its leisure facilities. It was noted that this concern would be raised with the Assistant Director, Commercial Services with the request that he and the Portfolio Holder for Community report back on this at a future meeting of the Audit Committee.

A Member expressed concern that progress on some of the audit recommendations detailed in the report, for example from page 10.19 of the report onwards, was slow; some of the items listed were old ones with deadlines for completion of audit recommendations being continually revised. Officers emphasised that deadlines were based on officers' best estimates as to when issues could be addressed; however, these could, on occasion, be overtaken by events, which in turn led to deadlines slipping. If issues were critical to the Council recommendations would always be addressed earlier, wherever possible.

In response to a question raised by a Member in respect of recommendation 3 relating to report 6, as detailed on page 10.32 of the report, officers advised that the implementation date detailed in the report was the date when the relevant insurance policy was due to expire; the recommendation would therefore have to be implemented by that date. It was further noted that the Council maintained a number of separate asset registers; these were long and complex documents being used for different purposes. The Council was exploring the possibility of a software solution to amalgamate these registers, but this required more detailed work. Some of the original deadlines for such complex work were unrealistic.

Responding to a further Member question as to why assurance ratings were still shown against audit engagements, as detailed on page 10.5 of the report, officers advised that the assurance ratings listed were those given at completion of work on those particular areas; assurance ratings wouldn't change until follow-up work had been completed.

Resolved

- (1) That the update on delivering the 2018/19 audit plan be noted.

Audit Committee – 26 February 2019

- (2) That the conclusions and results from the completed audit engagements in appendices 2 and 3 be noted.
- (3) That the updated status of audit recommendations in appendix 4 be noted. (ADDS)

The meeting closed at 8.30 pm.

Chairman

Date

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