

## **Audit Committee – 26 September 2017**

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Minutes of the meeting of the **Audit Committee** held on **26 September 2017** when there were present:-

Chairman: Cllr A L Williams  
Vice-Chairman: M J Lucas-Gill

Cllr R R Dray  
Cllr D S Efde  
Cllr A H Eves  
Cllr M Hoy

Cllr R Milne  
Cllr T E Mountain  
Cllr Mrs L Shaw  
Cllr M J Webb

### **APOLOGIES FOR ABSENCE**

Apologies for absence were received from Cllr C I Black.

### **OFFICERS PRESENT**

J Bostock - Assistant Director, Democratic Services  
R Manning - Section 151 Officer  
N Lucas - Section 151 Officer (Designate)  
M Petley - Head of Finance  
J Kevany - Principal Auditor  
S Giles - Technical Accountant  
E Turner - Accountant  
S Worthington - Democratic Services Officer

### **ALSO PRESENT**

C Hewitt - EY (external auditors)  
K Suter - EY (external auditors)  
C Weaver - EY (external auditors)

### **188 MINUTES**

The Minutes of the meeting held on 20 June 2017 were approved as a correct record and signed by the Chairman.

### **189 EXTERNAL AUDITOR REPORT – UPDATES**

The Committee considered the report of the Assistant Director, Democratic Services updating Members on progress in respect of external auditor recommendations within the Final Audit Report for the year ended 31 March 2016 and the Certification of Claims and Returns Annual Report 2015/16.

#### **Resolved**

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

### 190 FINANCIAL STATEMENTS 2016/17

The Committee considered the report of the Section 151 Officer presenting the audited reports for 2016/17 for Members' approval. This included presentation of the Audit Results Report for the year ended 31 March 2017 from EY, the Council's external auditor.

In response to a Member question relating to property, plant and equipment valuations, the external auditors confirmed their view that the methodology used by the Council's valuation experts, WHE, was formulaic, resulting in valuations that tended to be at the high end of an acceptable range of valuations which could result in significant issues in future years. This would not, however, affect any of the Council's budgets; it would simply show on balance sheets.

The Section 151 Officer emphasised that the Council's asset valuation work was conducted by a valuation company that was used by a number of other local authorities around the country, who were all experiencing similar issues to this, which was outside the control of the authorities. This was, however, being closely monitored by the Council. Similarly, pensions valuations were completed for the Council by an external pensions actuary. The pensions valuation was done nationally and was, similarly, outside the control of the Council. He stressed that local authority financial accounting was extremely complex, however the Council takes all necessary steps in order to minimise errors and to address any issues raised by the external auditors. Responding to a supplementary Member question relating to the methodology used for pensions valuations, officers advised that the Council's actuary used one point on a graph, rather than a blended range. The Council had been building up a contingency to address any potential variation.

Officers confirmed, in response to a Member question relating to pensions, that the materiality figure for pensions was £0.675 million.

The Section 151 Officer drew Members' attention to the fact that last year the external auditors had issued a qualified judgment in respect of value for money as a result of there being a lack of Chief Audit Executive expertise within the Council. This year, however, EY were issuing an unqualified audit opinion in respect of value for money, a big improvement on the same period last year.

#### **Resolved**

- (1) That the financial statements be approved and signed by the Chairman.
- (2) That the movement in earmarked reserves be noted. (S1510)

### 191 EXTERNAL AUDITOR – APPOINTMENT FROM 2018/19

The Committee considered the report of the Section 151 Officer providing an update on arrangements for appointing the Council's external auditors.

#### **Resolved**

That the appointment be noted of Ernst & Young as the external auditors for 2018/19 for a period of five years unless the body ceases to exist or the body ceases to fall within the classes of authorities for which PSAA is the appointing person. (S151O)

### 192 AUDIT PROGRESS REPORT

The Committee considered the report of the Assistant Director, Democratic Services drawing Members' attention to completed audit engagements and providing an update of audit recommendations.

In response to a Member question relating to high staff turnover in Internal Audit, officers advised that other local authorities in Essex and the home counties were experiencing Internal Audit staffing issues as a result of staff being attracted to London boroughs by higher salaries. This Council was working with neighbouring authorities in relation to a pool of experienced Internal Audit staff to address this issue.

Responding to a further Member query relating to the impact of staffing issues on delivery of the audit plan, officers advised that this was not yet known. However, the Council would be seeking to recruit another full time auditor in addition to being able to access the Internal Audit pool, once this was established. It was anticipated that all the main audits within the audit plan would be fulfilled. Officers noted a Member request for an update on the staffing position and progress in respect of the audit plan at the next meeting of this Committee.

In response to a Member question about potential issues with the trading company not operating independently of the Council, officers emphasised that the scope of the audit had been around whether the trading company had been correctly set up, rather than looking at day to day processes.

Responding to a Member question as to whether the figure of £153,000 detailed in paragraph 3.11 on page 9.6 of the report was decreased as a result of rate relief, officers confirmed that this was the case, but that central government did provide compensation.

#### **Resolved**

- (1) That the update on delivering the 2017/18 internal audit plan be noted.

- (2) That the conclusions and results from completed audit engagements in appendices 2 and 3 be noted.
- (3) That the updated status of audit recommendations in appendix 4 be noted.
- (4) That an update on the Internal Audit staffing position and progress in respect of the audit plan be provided at the next meeting of this Committee. (ADDS)

### **193 AMENDMENT TO ANNUAL REPORT 2016/17**

The Committee considered the report of the Assistant Director, Democratic Services providing details of the amendment made to the annual audit report for 2016/17.

#### **Resolved**

That the amendment to the annual audit report be noted. (ADDS)

### **194 REVIEW OF THE COUNCIL'S CORPORATE RISK MANAGEMENT AND REGISTERS FOR 2017/18**

The Committee considered the report of the Section 151 Officer providing a six-month review of the Council's corporate risk register for 2017/18 for consideration and approval.

In response to a Member question relating to audit work on the ICT project, officers advised that this was reported on regularly to the Leader and Deputy Leader of the Council, as well as to Members via the monthly performance reports from the Section 151 Officer.

Responding to a further question as to whether there was internal expertise within the Council to audit and monitor contracts operated by external providers, officers confirmed that ICT contract monitoring could be included in the internal audit plan for next year.

In response to a Member concern raised in respect of risk 3(b), reported as a high risk, with poor controls, with only minor administration changes made, officers advised that risks 3(a) and 3(b) were both included within the current audit plan and that the commentary in paragraph 4.1 of the report was misleading; the commentary relating to risk 3(b) would accordingly be amended. Officers further agreed to include within the corporate risk register the changes to Data Protection due to be introduced next year.

**Resolved**

That the content of the corporate risk register for 2017/18 be noted, subject to amendment to the commentary relating to risk 3(b) and inclusion of an additional risk relating to forthcoming changes to Data Protection arrangements. (S151O)

The meeting closed at 8.20 pm.

Chairman .....

Date .....

CONFIRMED

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