

## Audit Committee – 10 March 2020

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Minutes of the meeting of the **Audit Committee** held on **10 March 2020** when there were present:-

Chairman: Cllr D Merrick

Cllr Mrs T L Carter

Cllr T G Cutmore

Cllr M J Lucas-Gill

Cllr R Milne

Cllr J E Newport

Cllr P J Shaw

Cllr D J Sperring

### **APOLOGIES FOR ABSENCE**

Apologies for absence were received from Cllrs Mrs L A Butcher, M Hoy and Mrs L Shaw.

### **OFFICERS PRESENT**

N Lucas - Assistant Director, Resources  
M Porter - Chief Audit Executive  
J Kevany - Principal Auditor  
B West - Auditor  
S Worthington - Democratic Services Officer

### **ALSO PRESENT**

D Hanson - Ernst & Young LLP

### **51 MINUTES**

The Minutes of the meeting held on 5 December 2019 were approved as a correct record and signed by the Chairman.

### **52 EXTERNAL AUDIT REPORTS 2018/19**

The Committee considered the report of the Assistant Director, Resources providing details of the 2018/19 Annual Audit Letter and final Audit Results Report 2018/19.

It was noted that the external auditors had issued an unqualified opinion on the 2018/19 financial statements and an unqualified value for money conclusion statement; overall a positive outcome for the Council. The Audit Results report had been previously discussed at the Audit Committee meeting of 5 December 2019 and EY issued its audit opinion report and certificate on 24 December 2019. EY expressed thanks to Council staff for their continued support during last year's audit process which had not been straightforward.

The external auditor drew Members' attention to the main changes that arose in the Audit Results Report since the December Audit Committee meeting: errors in the cash flow statement which were recorded in this Audit Results Report; Deutsche Bank confirmation of an investment balance which had subsequently been found to be part of a general money market fund and not

specific to Rochford District Council and thus should not have been provided by Deutsche Bank; and an issue relating to cash held by the Council in respect of S106 monies for CCGs where there was a lack of clarity around whether these monies should sit within the Council's accounts. The latter issue was reported by EY as an uncertainty and wasn't material; it was felt that it would be appropriate to deal with this by way of a disclosure note for 2019/20 accounts. There was a proposed variation in the audit fee of just under £14,000 as a result of additional work that had had to be undertaken during the course of last year's audit, which had been submitted to PSAA for approval.

In response to a Member concern that the external auditors' statement at the top of page 6.16 appeared very negative, the external auditor explained that this was the level at which the materiality levels had been set; it didn't indicate that that was the level of error within the Council's accounts, but rather the level that would influence a reader of the accounts. She confirmed that it would be possible to review this wording for the audit of the 2019/20 accounts.

Responding to a Member question relating to the timescale for completing the Council's 2019/20 financial statements officers advised that the deadline for completion of the accounts was the end of May 2020 in line with last year and there was sufficient resource to meet that deadline. The external auditor further advised that audits would be conducted for a longer period than last year and it was likely that not all audits would be completed by the end of July. However, EY was actively addressing issues around staffing resource and was anticipating that the Council's accounts would be audited by the end of July. In response to a Member observation that last year's audit appeared positive for the Council, the external auditor confirmed that the audit had gone well; there had been good communication with Council staff and good working papers provided to EY and it was thus considered possible that the audit could be completed in a tight window by the end of July.

In response to a Member question relating to land and buildings valuation detailed on page 6.49 of the report officers confirmed that desktop indexing took place to ensure accuracy of valuations based on national valuation indices. Local property values were conducted on a 5-yearly cycle. Officers advised, in response to a supplementary question relating to what Council assets were included, that all Councils were valued and included in the accounts.

Responding to a Member concern relating to a variation in the Council's General Ledger and underlying Debtors Ledger detailed on page 6.35 of the report, officers confirmed that this was a timing issue that would be investigated as it had occurred previously.

It was noted that, on page 6.50 of the report, the figure cited under 'summary of audit differences' was £7.650 million.

### Resolved

That the Annual Audit Letter for the year ended 31 March 2019 and the Final Audit Results Report for 2018/19 be noted. (ADR)

### 53 AUDIT PROGRESS REPORT

The Committee considered the report of the Assistant Director, Resources updating Members on the work of the Internal Audit team in terms of progress made against the annual audit plan and action taken by service departments in implementing audit recommendations.

Officers advised that the limited assurance judgment in respect of the debt management audit was partly due to the manual processes in place which are dependent on officer input and oversight.

It was noted that the majority of the audit plan, set out at appendix 4 to the report, would be delivered by the end of the year. Priority 1 audits needed to be completed in order for an annual audit opinion to be delivered. The audit plan was fluid with the ability to be changed in response to any new or emerging risks; such changes made this year would not affect the audit opinion at year end. It was further noted that good progress was being made by management against the audit recommendations.

In response to a Member question relating to whether the IT Connect Programme would assist with issues relating to the manual debt management system, officers advised that the number of debts was relatively low, accordingly any management system had to be proportionate. Controls would be put in place to address the issues that had been uncovered by upskilling staff. There were a number of recommendations that would resolve these issues, and these were in the process of being implemented.

Responding to a Member question about the audit relating to cyber security being retained on the audit plan, officers advised that there would be a report to the next Audit Committee meeting on this. A number of areas were being reviewed, including for example, resilience, business continuity, security, malware.

In response to a Member query as to how the Committee could follow up on progress with specific audits and particularly those resulting in limited judgments, officers emphasised that follow-up audits were conducted and these were reported back to the Audit Committee so that Members were able to assess any progress made.

### Resolved

- (1) That the update on delivering the 2019/20 Audit Plan be noted.

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- (2) That the conclusions and results from the completed audit engagements in appendices 2 and 3 be noted.
- (3) That the updated status of the 2019/20 Annual Audit Plan in appendix 4 be noted.
- (4) That the updated status of audit recommendations in appendix 5 be noted. (ADR)

The meeting closed at 8.10 pm.

Chairman .....

Date .....

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