

## Audit Committee – 17 June 2015

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Minutes of the meeting of the **Audit Committee** held on **17 June 2015** when there were present:-

Chairman: Cllr Mrs J A Mockford  
Vice-Chairman: Cllr Mrs L A Butcher

Cllr C I Black	Cllr D Merrick
Cllr N J Hookway	Cllr Mrs M H Spencer
Cllr J L Lawmon	Cllr D J Sperring

### **APOLOGIES FOR ABSENCE**

Apologies for absence were received from Cllrs R R Dray and J R F Mason.

### **OFFICERS PRESENT**

A Law	- Assistant Director, Legal Services
J Raveendran	- Assistant Director, Resource Services
J Kevany	- Principal Auditor
S Worthington	- Committee Administrator

### **ALSO PRESENT**

B Pryke - BDO

### **122 MINUTES**

The Minutes of the meeting held on 10 March 2015 were approved as a correct record and signed by the Chairman.

### **123 EXTERNAL AUDITOR REPORT UPDATES FOR 2013/14**

The Committee considered the report of the Assistant Director, Resource Services asking that Members agree the monitoring sheets for the BDO recommendations arising from the Annual Governance Report 2013/14 and the Grants Claims and Returns Certification Report 2013/14.

It was noted that the outstanding management response detailed on page 7.4 of the officer's report relating to new claims, due to be completed by 31 May 2015, had been implemented.

### **Resolved**

- (1) That the monitoring sheet for the BDO recommendations arising from the annual governance report 2013/14 be agreed.
- (2) That the monitoring sheet for the BDO recommendations arising from the grants claim and returns certification report 2013/14 be agreed.  
(ADRS)

### **124 EXTERNAL AUDITOR'S ANNUAL AUDIT PLAN FOR 2014/15 AND PLANNING LETTER FOR 2015/16**

The Committee considered the report of the Assistant Director, Resource Services providing details of the Council's external auditor's annual audit plan (AAP) covering the audit of the 2014/15 accounts and certification of claims and returns and the Planning Letter 2015/16, which reports the proposed fees and programme of work for the 2015/16 financial year.

Member concern was noted in respect of current audit staffing levels following the redesign and also as to whether the current level of staffing and contingency provision allows for an audit plan that provides appropriate coverage. There was a general consensus that this Committee would need to monitor whether the redesign had delivered promised savings and whether there was any impact on external or internal delivery of services.

In response to Member questions, the following points were noted:-

- BDO choose random samples during audits; it was not feasible to look at every financial transaction conducted during the course of a year, however a threshold amount is set, which should pick up instances of fraud.
- The medium term financial strategy would be examined by the external auditors during their final audit visit in July/August after the Chancellor's statement. A report will be received at the next meeting of the Committee.
- External auditing will be undertaken by Ernst and Young with effect from 1 April 2015.

#### **Resolved**

- (1) That the external auditor's annual audit plan for 2014/15 be noted.
- (2) That the external auditor's Planning Letter 2015/16 be noted. (ADRS)

### **125 PROPOSED ANNUAL AUDIT PLAN FOR 2015/16**

The Committee considered the report of the Assistant Director, Legal Services providing details of the 2015/16 annual audit plan for Members' consideration and approval.

Members noted that, in respect of paragraph 3.6 of the report, an externally recruited, experienced financial manager will be covering the maternity leave, with effect from 22 June. However, concern was expressed that there would be a training need for this temporary post holder and Members generally felt that there was insufficient capacity to adequately cover the auditing workload. Members also emphasised that the number of audit days had been reduced from last year, which also gave cause for concern. One Member suggested that there could be merit in exploring the possibility of an existing member of

staff shadowing the Principal Auditor on a temporary basis to increase capacity. In response to these concerns, officers stressed that with the existing staff cover and planned audit days core audits would be carried out in depth, as they have been in the past; the auditor commencing on 22 June will cover day to day testing across the year, allowing overview by the Principal Auditor.

In response to a Member question relating to risk associated with the level of audit staffing, officers advised that the level of audit staffing constituted a low level risk, however the impact of, e.g., the Principal Auditor not being able to work, would result in a high level risk.

In response to the concerns raised by Members, the Assistant Director, Legal Services confirmed that this issue would be raised with the Chief Executive/Directors following this meeting. She also advised that Assistant Directors were finalising service reviews, which included an in depth assessment of staffing across all service areas, including that of internal audit. In addition, Members of the Committee will be provided, outside the meeting, with information relating to staffing levels within Internal Audit and to the number of auditing days allocated for internal auditing work over the past five years.

### **Resolved**

That the 2015/16 audit plan be agreed, subject to Member concerns relating to audit staffing levels and the reduced number of auditing days being noted. (ADLS)

## **EXCLUSION OF THE PRESS AND PUBLIC**

### **Resolved**

That the press and public be excluded from the meeting for the remaining business on the grounds that exempt information, as defined in paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 would be disclosed.

## **126 ANNUAL GOVERNANCE STATEMENT FOR 2014/15**

The Committee considered the exempt report of the Assistant Director, Resource Services presenting the Annual Governance Statement for 2014/15 for Members' consideration.

It was noted that, with effect from 2016/17 the Council's budget would be set on a zero-based budget where possible rather than on an incremental basis. It was anticipated that this should result in a budget that was more closely tailored to meeting residents' needs. It was emphasised that the Local Council Tax Support Scheme would in future no longer be funded via the revenue support grant; there would therefore be a report to Council in due course on how this might be funded in future.

In response to Member questions, the following points were noted:-

- The sharing of services with other Councils could not be discounted; it was, however, important that this authority maintains its own individual identity. The Council was, potentially, faced with the possibility of a 15-20% reduction in budget, thus it was vital that any viable income generation opportunities were explored.
- The budget control process would address contract-related risks.

### **Resolved**

- (1) That it be agreed that the level of assurance stated is sufficient for the 2014/15 Annual Governance Statement to determine the effectiveness of internal control with consideration given to the significant risks identified.
- (2) That the 2014/15 Annual Governance Statement be agreed for signing by the Leader of the Council and the Chief Executive. (ADRS)

## **127 AUDIT REPORT**

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

In response to a Member question relating to the timeliness of raising orders issue detailed on page 12.5 of the officer's report, officers advised that from March onwards Finance staff had been logging all orders on the finance system and procurement was also being reviewed as part of the Council's redesign.

### **Resolved**

- (1) That the conclusions and results from the audit engagements in appendix 2 be agreed.
- (2) That the updated information on the audit recommendations, outlined in appendix 3, be agreed. (ADLS)

The meeting closed at 8.30 pm.

Chairman .....

Date .....

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