

AUDIT COMMITTEE

6.00 P.M.

17TH JUNE 2015

PRESENT: Councillors Matt Mann (Chairman), Brendan Hughes, Susan Sykes, Malcolm Thomas, David Whitaker, Anne Whitehead and Nicholas Wilkinson

Officers in Attendance:

Nadine Muschamp	Chief Officer (Resources) and Section 151 Officer
Derek Whiteway	Internal Audit Manager
Jane Glenton	Democratic Support Officer

Also in Attendance:

Tim Cutler	Partner, KPMG LLP (UK)
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1 APPOINTMENT OF VICE-CHAIRMAN

The Chairman requested nominations for the position of Vice-Chairman of the Audit Committee for the municipal year 2015/16.

It was proposed by Councillor Thomas and seconded by Councillor Wilkinson:

“That Councillor Sykes be appointed Vice-Chairman of the Audit Committee for the municipal year 2015/16.”

There being no further nominations, the Chairman declared the proposal to be carried.

Resolved:

That Councillor Sykes be appointed Vice-Chairman of the Audit Committee for the municipal year 2015/16.

2 MINUTES

The Minutes of the meeting held on 21st January 2015 were signed by the Chairman as a correct record.

3 ITEMS OF URGENT BUSINESS AUTHORISED BY THE CHAIRMAN

There were no items of urgent business.

4 DECLARATIONS OF INTEREST

There were no declarations of interest.

MATTERS FOR DECISION**5 EXTERNAL AUDITORS CERTIFICATION OF CLAIMS AND RETURNS - ANNUAL REPORT 2013/14**

Tim Cutler, Partner, KPMG LLP (UK), the Authority's external auditors, presented the annual report for the certification work undertaken in 2013/14.

It was reported that certification work had been carried out on two claims/returns to give assurance on a sound return.

The *Pooling of Housing Capital Receipts* return had been certified as unqualified without amendment. A qualification had been necessary for the *Housing Benefit Subsidy* claim. No adjustment had been necessary for the errors identified.

Resolved:

That the External Auditors Certification of Claims and Returns – Annual Report 2013/14 be accepted.

6 EXTERNAL AUDIT PLAN 2014/15

Tim Cutler, Partner, KPMG LLP (UK), the Authority's external auditors, presented the External Audit Plan 2014/15 prepared by KPMG, which outlined how KPMG would deliver its financial statements audit work for the Authority and set out their approach to value for money (VFM) work for 2014/15. The Plan supplemented the Audit Fee Letter 2014/15.

KPMG had assessed the key risks affecting the Authority's financial statements and the central processes that would impact on the audit. A significant risk had been identified in relation to the NNDR rates appeals provision, which required assumptions and judgments to be made. The proposed audit work in connection with this risk was outlined to Members.

The initial risk assessment for the VFM conclusion had identified one risk in connection with saving plans. KPMG were satisfied that the Authority's current arrangements in relation to this risk area were adequate.

It was reported that the main year end audit was planned to commence in July 2015. The planned fee for the 2014/15 audit was unchanged from the position set out in KPMG's Audit Fee Letter 2014/15.

Resolved:

That the External Audit Plan 2014/15 be accepted.

7 EXTERNAL AUDIT ANNUAL AUDIT FEE LETTER 2015/16

The Committee received KPMG's External Audit Annual Audit Fee Letter 2015/16, confirming the audit work and fee that was proposed for the 2015/16 financial year.

Tim Cutler, Partner, KPMG LLP (UK), reported that the Audit Commission's functions

had transferred to Public Sector Audit Appointments Limited (PSAA), who would oversee the Commission's audit contracts until they ended.

The National Audit Office (NAO) was responsible for producing and maintaining the Code of Audit Practice (the Code), and providing supporting guidance to auditors. Under the Code, KPMG had a responsibility to consider the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources.

It was reported that the planned audit and certification fees were based on a number of assumptions, as set out in Appendix 1 to the letter. Over the course of the audit, it was expected that reports would be issued relating to KPMG's work, details of which were set out in Appendix 2 to the letter.

Resolved:

That the External Audit Annual Audit Fee Letter 2015/16 be accepted.

8 AUDIT COMMITTEE TERMS OF REFERENCE

The Committee received the report of the Internal Audit Manager to seek Members' acceptance to revised terms of reference for the Audit Committee to be recommended to full Council for approval.

It was reported that the Local Audit and Accountability Act 2014 and the Accounts and Audit Regulations 2015 had brought in changes to audit arrangements and needed to be reflected in the Committee's Terms of Reference.

A copy of the current Terms of Reference and the proposed revisions was attached as Appendix A to the report for Members' consideration.

It was proposed by Councillor Hughes and seconded by Councillor Whitaker:

"That the recommendation set out in the report be approved."

Upon being put to the vote, Members voted unanimously in favour of the proposition, whereupon the Chairman declared the proposal to be carried.

Resolved:

That the proposed revisions to the Audit Committee's Terms of Reference be accepted and recommended to full Council for adoption.

9 INTERNAL AUDIT ANNUAL REPORT AND ASSURANCE STATEMENT FOR 2014/15

The Committee received the report of the Internal Audit Manager to inform the Committee of the extent and outcome of Internal Audit work during the 2014/15 financial year and to present an annual Statement of Assurance regarding the Council's framework of governance, risk management and control.

The 2014/15 Internal Audit Plan had been approved by the Committee at its meeting on 18th June 2014, and adjustments to the Plan had been approved at its meetings on 17th September 2014 and 21st January 2015.

A summary of the annual outturn position against the 2014/15 Annual Plan was provided for Members.

It was reported that the Annual Review of Governance report to the next meeting of the Committee in September 2015 would include the results of an annual review of Internal Audit's compliance with professional standards and its Quality Assurance and Improvement Plan.

With reference to the assurance opinions from audits and follow-up reviews completed since 31st March 2014, the Committee would receive updates on the five audits with a 'limited' assurance rating.

It was reported that the assurance levels on the Council's core financial systems remained consistently high, and a 'maximum' assurance opinion had been issued in relation to the Council's arrangement surrounding Housing Benefit and Welfare Reforms. Work was being undertaken in relation to two audits with a 'limited' assurance opinion.

With regard to governance arrangements, the audit relating to officer gifts, hospitality and interests had been raised from 'limited' to 'substantial', and outstanding considerations relating to the Council's information governance arrangements had been addressed through an ongoing reorganisation of the corporate information governance function.

Work was ongoing to implement action plans in relation to the three audits with a 'limited' assurance opinion and the Committee would receive updates.

It was proposed by Councillor Hughes and seconded by Councillor Sykes:

"That the recommendation set out in the report be approved."

Upon being put to the vote, Members voted unanimously in favour of the proposition, whereupon the Chairman declared the proposal to be carried.

Resolved:

- (1) That the report be noted.
- (2) That the Internal Audit Manager's Assurance Statement and Annual Internal Audit Opinion be accepted and considered in relation to the Annual Governance Review and Annual Governance Statement to be presented to the September meeting of the Committee.

10 INTERNAL AUDIT STRATEGY AND RISK BASED PLAN 2015/16

The Committee received the report of the Internal Audit Manager to seek Members' approval for a proposed three-year Internal Audit Strategy and Risk Based Plan for 2015/16.

It was reported that the Internal Audit Strategy was a high level statement of how the Internal Audit service would be delivered and developed in accordance with its approved

terms of reference (the Audit Charter) and how it linked to the Council's organisational objectives and priorities.

The Risk Based Plan focused on those systems which currently demonstrated higher levels of risk, with the objective of providing assurance that key system controls and measures to combat fraud and corruption were robust and operating securely and efficiently.

Members discussed aspects of the audit plan and the associated deployment and cost of resources. Officers confirmed that these would be considered further and developed through the normal in-year monitoring arrangements.

It was proposed by Councillor Thomas and seconded by Councillor Sykes:

"That the recommendation set out in the report be approved."

Upon being put to the vote, Members voted unanimously in favour of the proposition, whereupon the Chairman declared the proposal to be carried.

Resolved:

That the Internal Audit Strategy and Risk Based Plan for 2015/16 be approved.

11 INTERNAL AUDIT MONITORING REPORT

The Committee received the report of the Internal Audit Manager to update Members on the results of recent audits.

It was reported that all of the reviews had returned a 'substantial' assurance level and there were no matters arising requiring specific referral to the Committee. Summary reports had been issued to Members for consideration and had been posted on the Council's Intranet.

Resolved:

That the results of recent audits be noted.

Chairman

(The meeting ended at 7.34 p.m.)

**Any queries regarding these Minutes, please contact
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