



Audit committee

16:30 to 17:30

14 November 2017

Present: Councillors Price (chair), Bradford, Coleshill, Jones (B), Lubbock, Maxwell and Schmierer

Apologies: Councillor Driver (vice chair)

Also present: Councillor Kendrick (cabinet member for resources)

1. Public questions/petitions

There were no public questions or petitions received.

2. Declarations of interest

There were no declarations of interest.

3. Minutes

RESOLVED to agree the accuracy of the minutes of the meeting held on 26 September 2017.

4. Annual Audit Letter 2016-17

The external audit manager presented the Annual Audit Letter 2016-17. He explained that it was a statutory requirement to issue the Annual Letter on the completion of the audit, and a public facing document. He drew members' attention to the section "Focussed on your future" and the actions set out for the earlier deadlines for production and audit of the financial statements from 2017-18. A workshop had been held on the faster closure of accounts for the client last week and this would be followed by detailed discussions at council level.

The chair thanked the external audit manager for the report and said that he would be grateful he was alerted immediately if any problems arose during the audit of the council's financial statement which would cause a delay in meeting the new deadlines. The chief finance officer said that the finance team had completed the preparation of the accounts by 31 May 2017 and was expected to meet the deadlines next year.

The chair referred to Appendix A, Audit Fees, and said that he was pleased that the reduction in planned fees for the Certification of Claims and Returns on previous years demonstrated good value for money. The external audit manager confirmed that the fees for the code work were unchanged and set by the Public Sector Audit Appointments Ltd. Work on the fees and charges was still ongoing.

RESOLVED to note the attached report from the council's external auditor.

5. Risk Management Report

The principal audit manager (LGSS) presented the report, and together with the deputy head of internal audit (LGSS), answered members' questions.

In reply to a question the principal audit manager said that councils were under financial pressure and that reserves were important to mitigate risk

During discussion members commented on the changes to the risk register as set out in paragraph 10 of the report. A member said that she was pleased that the interest rate increase had been recognised in the inherent risk. The chief finance officer said that it was expected that by the end of the decade interest rates would have increased by around 0.25 to 1 per cent which was lower than previously anticipated. Discussion then ensued on the impact of interest rate increases and borrowing against the council's reserves. A member referred to risk register, B2 Income generation and asked what the impact of rising interest rates would be over the next 3 years from its housing and commercial rented properties. The chief finance officer and the head of internal audit (LGSS) confirmed that interest rates were incorporated into the financial modelling and that actions to mitigate a spike in interest rates were in place. Members were advised that further information shown, as graphs, would be included in the budget papers and briefings for members

The chair referred to the risk register, B1, Public sector funding, and said that he was reassured that the corporate leadership team reviewed the Medium Term Financial Strategy (MTFS) and government announcements on a weekly basis in order to mitigate the risks to the council. Discussion ensued on the uncertainty surrounding government grants and Business Rates. Officers proposed a conservative approach in years 3, 4 and 5 of MTFS and going forward.

During discussion, members noted the financial pressures that many residents were under which would be exacerbated by rising interest rates and the importance of retaining council services. The chair said that there was a risk to democracy from the government's cuts in public sector funding through greater commercialisation of councils. The chief finance officer said that the level of commercial activity that this council engaged in was appropriate to the scale of the authority and based on a sound financial model. The council's ethos was to support front line services through its income generation rather than making a profit.

RESOLVED to endorse the proposed amendments to the corporate risk register and risk management policy and recommend to cabinet for approval.

6. Internal audit 23017-18 – September to October update (Quarter 2)

The principal audit manager (LGSS) presented the report.

During discussion, the principal audit manager and the head of internal audit (LGSS), referred to the report and answered members' questions. Members were advised that the impact of Universal Credit had been included in the plan.

The committee considered the proposal to postpone the review of the NPS Contract Management and sought reassurance that there was no significant risk. The committee was advised that this audit would be one of the first in the next audit cycle to ensure that recommendations from a previous audit had been implemented. However, there was sufficient coverage from a previous audit to provide assurance for an audit opinion. The external auditor said that internal audit had not identified any significant risk and actions had been implemented after the previous review which enabled an audit opinion to be given for the Annual Governance Statement. He pointed out that if an issue were to be identified the audit plan would be revised accordingly.

A member referred to the transformation project and said that he was concerned that the council was losing its skillset and knowledge. The head of internal audit said that this was a shared concern when facing budget cuts whilst maintaining services. Local authorities could take on trainees and encourage professional development to ensure that skills were transferred. A benefit of reviewing the control environment was the removal of controls which did not affect risk, thus reducing bureaucracy.

The chair said that he welcomed that the fees and charges were included in the plan at the request of this committee. The internal audit manager said that work had already started on this audit, which would include more substantial testing around the transaction process.

RESOLVED to note the report.

CHAIR