

Audit Committee Minutes

Date: 24 September 2015

Time: 7.10 - 8.35 pm

PRESENT: Councillor M C Appleyard (in the Chair)

Councillors G C Hall, A Lee, Ms C J Oliver and C Whitehead, N J B Teesdale

Also present: Councillor D M Watson, Mr C Baston and Ms M Grindley
(External Auditors, Ernst & Young)

15 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors S Saddique and G Peart.

16 MINUTES

RESOLVED: That the minutes of the meeting held on 25 June 2015 be confirmed as a correct record and signed by the Chairman.

17 DECLARATIONS OF INTEREST

There were no declarations of Interest.

18 APPROVAL OF THE 2014/15 STATEMENT OF ACCOUNTS AND CORPORATE GOVERNANCE STATEMENT

The Financial Services Manager presented the Statement of Accounts for 2014/15, including comparative figures from 2013/14 and the Higginson Park Trust Statement of Accounts for 2014/15. During the detailed presentation the Committee were taken through key figures in the Accounts, and were asked to recommend that the Higginson Part Trust Accounts proceed to Council for approval as the Council is the charity's sole trustee.

The Committee were asked to note the Annual Governance Statement for 2014/15 which was included in the report. The Statement had been signed by the Leader and Chief Executive.

An addendum to the Statement of Accounts was presented to the Committee as an adjustment to the accounts had been made following the circulation of the accounts for the meeting. This was due to a misclassification between debtors and cash accounting which required correction. The Statement of Accounts had been subsequently updated to reflect the misclassification.

The Financial Services Manager, summarised the following key factors:

- The General Fund surplus for the year was £984k and this had been reported to Cabinet on 21 September 2015.
- Major Projects expenditure of £25.6m of which £23.6m was funded by capital receipts
- The Pensions Liability had increased from £45m in 2013/14 to £60m in 2014/15. This was mostly due to a fall in Corporate Bond Yields by 2% during the year.
- Depreciation of assets, particularly the existing Sports Centre at Handy Cross. Assets had also increased in value following expenditure on the new Asset Under Construction on the Handy Cross site.

The Committee considered the core financial statements featured within the Accounts document, these were the Movements in Reserves Statement, Comprehensive Income & Expenditure Statement, Balance Sheet, Cash Flow Statement, and Collection Fund.

It was noted that the Higginson Park Charity Accounts had been independently audited and had been included in the Group accounts which had been audited by Ernst & Young. The Committee then considered the External Auditor's ISA 260 Audit Results Report before approving the accounts.

Recommended: That the Higginson Park Trust Annual Report and Accounts for 2014/15 recommended to Council for approval.

RESOLVED: That (i) the Statement of Accounts for the financial year ended 31 March 2015 be approved; and

(ii) the signed Annual Governance Statement for 2014/15 alongside the Statement of Accounts be noted.

19 EXTERNAL AUDITOR'S ISA 260 AUDIT RESULTS REPORT

External Auditor, Mr C Baston, presented Ernst & Young's Audit Results Report and findings from the 2014/2015 audit. The Committee were informed that the auditors proposed to issue an unqualified opinion on the financial statements. The audit results had demonstrated that the Council had prepared its financial statements adequately.

He commented that Appendix A of the report detailed the corrected audit misstatements that had been identified during the audit. These related to the presentation of the depreciation of assets, and a classification error between debtors and cash. The Head of Financial Services confirmed that these had been corrected and that there were no unadjusted errors to the accounts.

RESOLVED: That the Auditor's Results Report be noted.

20 TRAINING NEEDS ASSESSMENT

The report before the Committee presented the results from the skills and knowledge self-assessment process that had been undertaken by Audit Committee Members. It was noted that further work was required to increase the awareness of key areas which were within the remit of the Audit Committee.

The Committee was informed that the assessment had identified that further clarification was required on the following areas:

- An understanding of the main areas of fraud risk that the organisation was exposed to. Knowledge of the principles of good fraud risk management practice. Knowledge of the organisation's arrangements for tackling fraud.
- Knowledge of the six principles of the CIPFA/SOLACE Good Governance Framework and the requirements of the Annual Governance Statement (AGS). Knowledge of the local code of governance.
- An awareness of the key principles of the Public Sector Internal Audit Standards and the Local Government Application Note. Knowledge of the arrangements for delivery of the internal audit service in the authority and how the role of the head of internal audit was fulfilled.
- Knowledge of the Seven Principles of Public Life. Knowledge of the authority's key arrangements to uphold ethical standards for both members and staff. Knowledge of the whistleblowing arrangements in the authority.

The Committee concluded that training could be provided on the aforementioned areas before each Audit Committee meeting.

RESOLVED: That (i) the results of the self-assessment Core Knowledge and Skills Framework, undertaken by members of the Audit Committee be noted; and

(ii) Training sessions be arranged before each Audit Committee meeting.

21 IMPLEMENTATION OF INTERNAL AUDIT RECOMMENDATIONS

The Committee were provided with an update on the progress of the implementation of recommendations that had arisen from the final reports issued during 2014/2015. Mike Howard, Audit Risk & Fraud Manager, provided details of the seven internal audit recommendations which had not been implemented, and the progress of those recommendations.

He confirmed that if recommendations were not implemented then Heads of Service could be asked to attend the Audit Committee to provide an explanation to the meeting.

RESOLVED: That the report on the Implementation of Internal Audit Recommendations be noted

22 ANNUAL REVIEW OF ANTI-FRAUD AND ANTI-CORRUPTION POLICY

The Committee's approval was sought to approve the Anti-fraud and Corruption Policy for 2015. The revised Policy had been amended to reflect the different offences under the Fraud Act, and the transfer of responsibility to the Department for Works and Pension for the investigation and enforcement of housing benefit fraud.

The Committee felt that a letter should be written to the Secretary of State to query the level of fraud work being pursued by the Department of Works and Pensions following the transfer of responsibilities.

RESOLVED: That (i) the 2015 Anti-Fraud and Corruption Policy as attached at Appendix A of the report be approved; and

(ii) a letter be sent to the Secretary of State with regards to the level of fraud work by the Department of Works and Pensions be pursued.

23 TREASURY MANAGEMENT ANNUAL REPORT 2014/15 AND PRUDENTIAL INDICATORS

The Committee had before it the annual report produced for the end of the financial year in respect of Treasury Management as required by the CIPFA (Chartered Institute of Public Finance and Accountancy) Treasury Management in the Public Services: Code of Practice, which has been adopted by the Council. The report detailed the treasury management activities and performance for 2014/2015.

Members were informed that Investec Asset Management had withdrawn from providing fund management services to the Council from July 2015 the impact of this on treasury investment limits had been detailed in the report.

RESOLVED: That (i) the treasury management report for 2014/15 be noted; and

(ii) an amendment to the investment limits in the 2015/16 treasury strategy following the withdrawal of Investec Asset Management from providing fund management services in July 2015 be noted.

24 ISSUES LOG

The issue log before the Committee identified key recommendations and improvements that the Audit Committee had made through its governance process.

The four issues listed were discussed, and following consideration of the information sheet on Service Performance, it was agreed that in future, the performance information be presented to the Committee as a report which should include details of the percentage targets.

It was noted that issues logged with regards to undertaking a training needs assessment, and training on the Statement of Accounts for Audit Committee Members had been completed.

With regards to providing a training session on the Treasury Management Strategy, it was noted that training would be arranged before the Strategy was set in January 2016.

RESOLVED: That the report be noted.

25 AUDIT COMMITTEE WORK PROGRAMME

The Audit Committee Work Programme as appended to the agenda was reviewed by the Committee.

RESOLVED: That the Audit Committee work programme be approved with the inclusion of a report on the Public Sector Internal Audit Standards, Audit Charter and Effectiveness of Internal Audit

26 INFORMATION SHEETS

RESOLVED: That the following Information Sheets be noted:

02/2015: Assessing the Effectiveness of the External Audit Process; and

03/2015: Performance Measures 2015/16.

Chairman

The following officers were in attendance at the meeting:

- Steve Richardson - Head of Finance and Commercial
- Mike Howard - Audit, Risk and Fraud Manager
- Nisar Visram - Financial Services Manager
- Catherine MacKenzie - Principal Democratic Services Officer