

## **COUNCIL MEETING – 31 MARCH 2015**

### **REPORT OF THE AUDIT COMMITTEE**

24 March 2015

Present: Councillors Bailey (Chairman), Bass, Bell, Dholakia, Henley and Simmons.

Also present: Mrs L Elliott (Head of Finance), Mr N Robinson (Principal Revenue and Benefits Manager), Mr M Watkins (Chief Internal Auditor, CW Audit Services), Mr J Cornett (Director, KMPG) and Mr S Whiteley (Electoral Services Officer).

#### **1. APOLOGIES FOR ABSENCE**

**RESOLVED** to note that apologies for absence were received from Councillor Harrington (Vice-Chairman).

#### **2. DECLARATIONS OF INTEREST**

**RESOLVED** to note there were no declarations of interest received in respect of the agenda items specified in accordance with the code of conduct.

#### **3. CONFIRMATION OF MINUTES**

**RESOLVED** that the minutes of the meeting held on 23 September 2014 be confirmed and signed.

#### **4. EXTERNAL AUDIT PLAN FOR 2014-15 ACCOUNTS**

The annexed circulated report of the Head of Finance was received to inform members how KPMG will deliver their audit work for the council. The chairman invited Mr Cornett of KMPG, the council's external auditors, to present the report.

Mr Cornett provided some background information on his role, and stated that he had taken over the role of external auditor from Mr N Bellamy. The key message of the report was that no significant risks had been identified. He explained that the £900 increase of the audit fee was due to extra work undertaken by the external auditors and that this fee was set by the Audit Commission, with no inflationary price increases due over the five years of the current KMPG contract. Members requested that thanks to the previous auditor, Mr N Bellamy, be formally recorded in the minutes, which was agreed. The Head of Finance agreed to send a note to Mr Bellamy to convey the thanks of the committee.

Members discussed and agreed that the council was in a much stronger position than it had been in previous years, and that this had been primarily due to the good work of the Head of Finance, her team and the auditors.

**RESOLVED** that:

- (i) the External Audit Plan 2014-15 be accepted.
- (ii) The Head of Finance send a note of thanks to Mr N Bellamy

## **5. CERTIFICATION OF CLAIMS AND RETURNS – ANNUAL REPORT 2013-14**

The annexed circulated report of the Head of Finance was received to inform members of the certification of claims and returns for 2013-14.

Mr Cornett stated that for the second year in a row, the council had been issued with an unqualified certificate. On request from members, Mr Cornett explained that the council was one of only two out of the 32 authorities within this region that KMPG had audited that had achieved this. Members agreed that this was good news, though queried the value of mentioning the £65 amendment made when the comparative value of this against the £22m subsidy claim was insignificant.

Mr Cornett responded by saying that the auditors are required to report even the smallest amendment, down to a single penny and the emphasis was on making sure the £22m was accurate. The chairman invited Mr N Robinson, Principal Revenue and Benefits Manager, to comment. He stated that the £65 was due to an issue with the system software and uncashed cheques, and that training was due to begin imminently on next year's subsidy claim. The Head of Finance iterated that the team understood the difficulty in obtaining the unqualified certification and that exceptional effort had been put in to achieve it.

**RESOLVED** that:

- (i) the Certification of Claims and Returns be accepted.

## **6. ANNUAL AUDIT LETTER 2013-14**

The annexed circulated report of the Head of Finance was received to be considered by the committee. Mr J Cornett was invited to present the report.

Mr Cornett stated that the letter summarised the key messages from the previous auditor's report. He explained that it reaffirmed the improvement on previous years, and that the council was in a strong position. Mr Cornett expressed his thanks to the Head of Finance and her team for their work in the delivery of a successful audit. Members requested clarification on whether the amendment stated within the report was an overstatement or understatement. The Head of Finance clarified that it was a one-off understated liability, and that it had been corrected.

**RESOLVED** that:

- (i) the Annual Audit Letter be accepted.

## **7. STRATEGIC INTERNAL AUDIT PLAN – APRIL 2015 TO MARCH 2018**

The annexed circulated report of the Chief Internal Auditor was received to inform members about work due to be carried out over the next three years. The chairman invited Mr M Watkins, Chief Internal Auditor, to present the

report. Mr Watkins explained that it is a requirement to provide a three-year, risk focussed plan, and that it is presented on a rolling three-year basis in order to cover each key system of the council. He stated what affects the plan, including the corporate risk register, previous audit findings and discussions with Heads of Service and other Principal Managers.

As the members discussed the plan, Mr Watkins explained that the first year of the plan was more operational, and that this changed on the three year rolling basis, with the option for flexibility based on discussions with the Head of Finance and as risks arose, and that these changes were reflected if compared with the plans of previous years.

Members raised some queries, particularly in respect of Wellingborough Norse, and Mr Watkins explained that the provision of days to audit Norse was cyclical, which explained the difference across the three years. The Head of Finance also allayed concerns that audit work may be being duplicated (as Norse may have their own auditors) by explaining that due to the high percentage of the council's budget spent on Norse, any potential audit duplication was worthwhile in order to ensure that service levels were maintained as per the service agreement and that the joint venture continued to provide value for money.

Members asked for details in regard to CW Audit Services' contract for internal audit with the council, and the Head of Finance confirmed that under her delegated powers she had taken the option to extend the contract by two years from the original three year contract. The Chief Internal Auditor also responded to questions in regard to qualifications of the audit team, and explained that whilst the qualifications are mostly related to financial auditing, all staff have received training in risk management techniques.

**RESOLVED** that:

- (i) the Strategic Internal Audit Plan be approved.

## **8. PROGRESS REPORT ON INTERNAL AUDIT ACTIVITY FOR 2014-15**

The annexed circulated report of the Chief Internal Auditor was received to inform members about the work carried out by the internal audit service for the first eleven months of the 2014-15 financial year to the end of February 2015.

The report provided details on all activities finalised since the previous Audit Committee. Mr Watkins explained that it was not possible to provide a balanced report without noting the financial pressures faced by the authority. The first report on Financial Management and Budgetary Control was discussed in depth. Members discussed the assurance level given to this report. Mr Watkins stated the reasons for providing a moderate level of assurance were based on current levels of expenditures without any further changes being enacted before the 2018-19 financial year, but that robust savings plans going forward would mitigate this.

The Head of Finance agreed and stated that her Section 25 report echoed the sentiment of the moderate assurance. The chairman reminded members that it was not the purpose of this committee to adopt policy. The members then discussed the report, and the Chief Internal Auditor and the Head of Finance assured the members that the moderate level of assurance was in place as with no further action, the current arrangement of reserves being used to meet budget shortfalls would continue; this would lead to the total level of reserves falling below the council's stated minimum requirement of £1.75m by 2018-19. If a higher level of assurance had been provided this would imply that financial management and budgetary control was 'risk-free', and that is not reflective of the current position.

The Chief Internal Auditor explained to members that the report is only demonstrative of this point in time, and that changes made would be reflected in future reports. He also summarised the implementation of recommendations, and explained to members that while some implementations may show as having not been started, this could be due to Principal Managers responsible for those recommendations not updating the tracking system, and that by the next Audit Committee members may see that the outstanding recommendations had been implemented.

Mr Watkins went on to explain that those who had submitted the recommendations were chased on a monthly basis both by Internal Audit and the Head of Finance.

**RESOLVED** that:

- (ii) the report be noted and that sufficient progress was being made against the agreed internal audit plan for 2014-15.

**9. ANY OTHER ITEMS THAT THE CHAIRMAN DECIDES ARE URGENT**

The Chairman notified members that he had received information in regards to training, and that they may wish to signify their intention of attendance. It was requested that officers provide further information on this training to members of the committee.

Chairman

The meeting concluded at 8pm.