

AUDIT SUB-COMMITTEE

24th September 2014

PRESENT:-

Conservative Group

Councillor Harrison (Chairman) and Councillor Mrs. Hood.

Labour Group

Councillor Shepherd

AS/07.

APOLOGIES

Councillors Ford and Dunn

AS/08.

MINUTES

The Open Minutes of the Meeting held on 18th June 2014 were approved as a true record.

AS/09.

DECLARATIONS OF INTEREST

None received.

AS/10.

**TO RECEIVE ANY QUESTIONS FROM MEMBERS OF THE PUBLIC
PURSUANT TO COUNCIL PRODEDURE RULE NO 10.**

None received.

AS/11.

**TO RECEIVE ANY QUESTIONS FROM MEMBERS OF THE COUNCIL
PURSUANT TO COUNCIL PRODEDURE RULE NO 11.**

None received.

AS/12.

AUDIT FINDINGS FOR SOUTH DERBYSHIRE

A report was submitted by Grant Thornton, the Council's appointed auditors. This was the statutory annual report on the Council's accounts and financial statements for 2013/2014. The Sub-Committee was asked to consider the report and its recommendations, together with the proposed management responses. Tony Parks and Avtar Sohal of Grant Thornton were in attendance at the Meeting and presented the report. It provided details on the audit of the Council's annual accounts, financial statements and its internal control framework for 2013/14, together with issues arising. Consequently, the report provided an opinion on those accounts. Following consideration at this Committee, the accounts and financial statements themselves will be

presented to the Finance and Management Committee on 25th September 2014 for formal adoption and publication.

The executive summary of the report stated that the audit was substantially complete with some remaining areas where work is being finalised. The anticipated opinion to be provided was an unqualified one on the financial statements.

The key messages arising from the audit of the financial statements were:

- No adjustments were identified affecting the Council's reported surplus on provision of services of £2,164k.
- A number of misclassification and disclosure changes were identified during the course of the audit. Management had adjusted the financial statements for all these changes.
- The draft accounts and supporting working papers presented for audit, whilst adequate, were not to the same high standard as last year.
- A number of adjustments had been identified to improve the presentation of the financial statements.

In addition, the report assessed overall value for money arrangements. Based on the review of the Council's arrangement to secure economy, efficiency and effectiveness in its use of resources, the auditors proposed to give an unqualified value for money conclusion.

Consideration was given to the detailed report. The Auditors highlighted areas within the report to be noted. Consideration was then given to the appended action plan.

Clarification was sought in regard to the reported surplus on provision of services of £2164k and whether this was the actual surplus at the end of the year. Officers explained that this figure was subject to other adjustments such as depreciation and the final outturn reported figure was less than this.

Arising from a Member's question about why the draft accounts and supporting working papers presented for audit, whilst adequate, were not to the same high standard as last year. Officers explained that a number of staff changes had an impact of the standard of presentation given to the draft accounts and that a review of the department's resources and the ability to maintain the previously high standards will follow.

Clarification was requested in regard to the misclassification of the two figures stated for bad debt provisions and collection fund receivables. The auditor clarified that this was due to mis-posting and were contra entries with no effect on the reported balance.. A further request was made that the accuracy of these figures be looked into further by the Auditor..

Further explanation was provided in response to a Member's question, regarding the Derbyshire Pension Fund overpayments and underpayments highlighted in the report. It was requested that some assurances be sought from the Pension Fund Administrators that these errors would not happen in the future. It was also noted that this did not affect the figures being reported within the Council's statement of accounts, but that it be noted and raised with the County Treasurer.

At the end of the audit, the Council was required to provide a letter of representation. This required the Council's Chief Finance (Section 151) Officer to provide assurances about the status of the accounts and financial statements. At the end of this process, the Chief Finance Officer would officially sign the letter to finalise this particular part of the audit work for the year.

RESOLVED:-

- (1) That the report of the External Auditor is approved***
- (2) That the Action Plan in Appendix A to the report is approved.***
- (3) That the Council's Chief Finance (Section 151) Officer will officially sign the Letter of Representation as attached to the report to finalise this particular part of Audit work for the year.***

AS/13.

INTERNAL AUDIT PROGRESS REPORT

The Sub-Committee considered the Internal Audit Quarterly Progress Report, prepared by the Audit Manager. This summarised the performance and activity of Internal Audit between 1st June 2014 and 31st August 2014. The Audit Manager highlighted the progress rates for each review and explained that since the report was produced a further 4 assignments had been finalised. Four audit assignments were completed during the period, all of which received a comprehensive or reasonable rating so there were no specific issues to be brought to the Committee's attention. There was one significant risk from the housing repairs audit relating to rechargeable repairs and relevant progress had since been made on this issue in line with the implementation date.

Also reported was the good customer satisfaction rating and the high return rates for customer satisfaction.

In reference to the achievement of the audit plan, it was reported that 5 months into the year progress was currently behind, but it was anticipated that this will catch up as the year progresses. In reference to recommendation tracking there were 10 still being implemented and there were no concerns arising from this.

One other recommendation that was highlighted was relating to the leisure centre contracts which still remain outstanding. Members asked why this was still an ongoing issue. An officer explained the current issues relating to the contract and how this is progressing.

RESOLVED:-

That the report be accepted. No specific issues be reported back to the Finance & Management Committee arising from it.

AS/14.

AUDIT COMMITTEE TRAINING PROGRAMME

The Internal Audit Manager presented the report providing proposals for training for Audit Sub Committee Members. A list of the proposed subjects was provided in Appendix 1 to the report.

It was suggested that the sessions could be provided in 15 min sessions at the start of committees as an ideal opportunity to deliver this training or if there was specific areas that required details then perhaps organising separate training to cover this. It was suggested by the Audit Manager that these subjects could be delivered by external audit as well as internal audit.

The Sub Committee discussed the training proposals. Concerns were expressed that 15 minute sessions would not be enough for these subjects. It was suggested that an evening session to deliver training would be the best way to deliver the applicable training for Sub Committee Members and it should also be offered to the wider members and also to other Authorities.

RESOLVED:-

That an evening training session on the required areas be provided to Council Members

AS/15.

LOCAL AUDIT AND ACCOUNTABILITY ACT

The Sub-Committee considered a report from the Director of Finance & Corporate Services. The report detailed the provisions set out in the Local Audit and Accountability Act 2014 and the effects that this would have on the Council's Audit, Accounting and overall governance arrangements.

One of the provisions of the Act is that the Council would in the future be allowed to appoint its own external auditors due to the abolition of the Audit Commission on 31st March 2015. A transitional body will manage existing contracts up to 2017 or 2020 if DCLG opts to extend existing contracts. EY has been appointed as the Council's external auditor for 2015/16 for an initial period of 2 years. In the future, the Council has two options in the way it can appoint its external auditor.

Option 1 would be a collective procurement exercise where the Council would opt-in to a procurement process where an appointed body approved by the Government would procure and monitor auditors on behalf of Councils that choose to opt-in.

Option 2 would require the Council to establish a local independent auditor panel. This panel would assume the role as the appointed body in Option 1 and be responsible for recommending an external auditor to Full Council.

A second provision of the Act has provided the Secretary of State with further legal powers to control publicity. The regulations provide that anyone can attend a public meeting and record, photograph or use social media to post or share the results of their reporting activities during or after a meeting. The Authority will need to update its procedures to allow this to happen.

RESOLVED:-

- (1) That the report has been considered and noted***
- (2) That updates are provided to the Committee relating to developments on the options for the Council to appoint its external auditor from April 2017.***
- (3) That any other emerging issues requiring an update are identified and are subject to a future report to the Committee***

J. HARRISON

CHAIRMAN

The meeting terminated at 5:10 p.m.