

Minutes of a meeting of the AUDIT AND GOVERNANCE COMMITTEE on Wednesday 24 July 2019

Committee members:

Councillor Fry (Chair)	Councillor Munkonge
Councillor Garden (for Councillor Gant)	Councillor Gotch
Councillor Pressel (for Councillor Corais)	Councillor Rush

Officers:

Greg Rubins, Partner, BDO internal audit
Yasmin Ahmed BDO Internal Auditor
Janet Dawson, EY external auditor
Sue Gill, EY external auditor
Helen Bishop, Head of Business Improvement
Anita Bradley, Monitoring Officer
Bill Lewis, Financial Accounting Manager
Jennifer Thompson, Committee and Members Services Officer
Scott Warner, Investigation Manager

Apologies:

Councillors Corais, Gant and Lloyd-Shogbesan sent apologies. Substitutes are shown above.

1. Election of Chair for the Council Year 2019-20

Councillor Fry was elected as Chair of the Committee for the Council year 2019-2020.

2. Election of Vice Chair for the Council Year 2019-20

Councillor Munkonge was elected as Vice-Chair of the Committee for the Council year 2019-2020.

3. Declarations of Interest

None.

4. Discussion of Matters exempt from publication

The Committee resolved that under Section 100A(4) of the Local Government Act 1972 the press and public be excluded from the meeting for part of the consideration of items at Minutes 5 and 6 allow discussion of

- the exempt appendix for Minute 5 (on the grounds that their presence would involve the likely disclosure of exempt information as described in Paragraph 7 of Part 1 of Schedule 12A of the Act) and

- the exempt appendix for Minute 6 (on the grounds that their presence would involve the likely disclosure of exempt information as described in Paragraphs 1,2,3 of Part 1 of Schedule 12A of the Act)

Once the discussion on these appendices had concluded the Committee resolved to re-open the meeting to the press and public.

5. Organisational Fraud Risk Assessment 2019

The Committee considered the report of the Head of Financial Services informing them of the updated Fraud Risk Assessment document and seek approval of the draft Counter Fraud work plan (in the exempt from publication appendix).

Scott Warner (Investigations Manager) and Mick Hopkins (Senior Investigator) introduced the report and explained the basis on which the Organisational Fraud Risk Assessment 2019 and associated documents were prepared. They explained how identified risks were categorised and valued and how these then informed the Counter Fraud work plan. They assured the committee that dishonesty and fraud were treated seriously; mistakes were treated as such; and mitigating circumstances were taken into account.

The Committee resolved to

- 1. note the report setting out the principles of the Organisational Fraud Risk Assessment; and**
- 2. approve the Counter Fraud Work Plan 2019.**

The Fraud Risk Assessment was not approved as it was not before the committee for consideration.

6. Investigation Services - End of Year Performance 2018-19

The Committee considered the report of the Head of Financial Services setting out the activity and performance of the Counter-Fraud Team for the period 1 April 2018 to 31 March 2019.

Scott Warner (Investigations Manager) introduced the report. The Committee congratulated the team on a strong performance against their targets for the year.

The Committee agreed to note the report.

7. Risk Management Quarterly Reporting as at 31 May 2019

The Committee considered the report of the Head of Financial Services giving an update on both corporate and service risks as at 31 May 2019.

Bill Lewis (Financial Accounting Manager) introduced the report.

The Committee agreed to note the report.

8. Internal Audit: Progress update Quarter 1 2019/20 - July 2019

The Committee considered the report of the internal auditor BDO including progress against the 2019-20 audit plan and the summary reports of the audits of Accounts Payable and Contract Management.

Yasmin Ahmed (BDO) presented the report and answered questions.

The Committee agreed to note the report.

9. Internal Audit: Audit 13 Companies Review report

The Committee considered the report of the internal auditor setting out the outcome of this audit.

Greg Rubins (BDO) presented the report. The Committee noted that from September the two joint venture companies would report regularly to the newly established Shareholder and Joint Venture Group (as agreed at Council on 22 July).

The Committee agreed to note the report and the key findings.

10. Internal Audit: Recommendation follow up Quarter 1 July 2019

The Committee considered the report of the internal auditor setting out progress on those recommendations raised by Internal Audit which are due for implementation.

Yasmin Ahmed (BDO) presented the report.

Helen Bishop (Head of Business Improvement) reported on the implementation of actions from the retention audit. Completion had slipped due to work on inter-related projects: the survey referred to a survey of methods of internal communication. Work on all recommendations was ongoing and successful changes in internal communication and introduced.

The Committee requested at the next meeting:

- **A report on recruitment and retention including the work on recruitment procedures; the process and findings from exit interviews; and on training and development.**
- **An update on the actions arising from the Accounts Receivable audit, in particular on the processes for reminder letters.**
- **An update on the complete and incomplete actions arising from the project management audit, and including the management of the capital programme.**

The Committee agreed to note the report.

11. Internal Audit: Annual Report and Annual Statement of Assurance

The Committee considered the report of the internal auditor summarising the work undertaken by internal audit during 2018/19 and giving an overview of the effectiveness of controls in place for the full year.

Greg Rubins (BDO) presented the report and thanked council officers for their assistance with the audits.

The Committee agreed to note the report and the overall Moderate assurance given as a result of the audit work in 2018/19.

12. Annual Governance Statement 2018-19

The Committee considered the report of the Head of Law and Governance and the Annual Governance Statement.

Anita Bradley (Head of Law and Governance) recommended adding the relevant actions arising from the internal audit report on the Council's Companies (Minute 9 refers) (paras 5.16- 5.23) to the list of planned actions at 6.4 of the report.

The Committee noted in answer to their questions:

- The increase in number and complexity of Freedom of Information requests; the continuing lack of resilience and capacity within the corporate team; and the reputational consequences of failing to meet the statutory deadlines for responses.
- The revisions to and strict application of the Capital Gateway framework emphasised realistic and deliverable capital projects. The slippage in the capital programme was not dissimilar to other councils with a similarly large capital programme.

The Committee resolved

- 1. to approve the Annual Governance Statement, subject to the inclusion of additional text at paragraph 6.4 to reflect the implementation of relevant recommendations from the Companies audit (in the report at Minute 9)**
- 2. and to authorise the Head of Law and Governance, in consultation with the Chair, to amend the text in light of (1) above and present the final Statement for signature by the Chief Executive and the Leader of the Council.**

13. External Audit: Audit results report for the year ending 31 March 2019

The Committee considered the draft audit results report dated 24 July 2019 of the external auditor Ernst & Young (EY) setting out the findings of the audit and the outstanding work required to complete the audit and issue the opinion.

The Committee noted that the audit work would not be completed by the statutory deadline of 31 July, and noted the good progress since the draft report was published.

The external auditors (Janet Dawson and Sue Gill) and Bill Lewis (Financial Accounting Manager) explained the reasons for the delay: principally an unforeseen lack of capacity in the audit team; delays in finalising the audit of the annual accounts for the Council's trading companies; and a lack of timely communication between the two audit teams.

The auditors reported that of the items in appendix C the audit of cash & bank & investments, grant income, journals testing were ongoing. All other items were completed or nearly finished, or could only be completed at the conclusion of the audit. They expected to issue their final opinion by 2 August 2019.

The Committee noted the conclusions in the draft audit report, the changes made to the final accounts as a result, and the outstanding work. They were concerned about the delay and noted the actions that the Head of Financial Services would take to place the appropriate notifications. They noted that no penalties would be incurred by the Council or EY as a result of the delays.

The Committee agreed:

- **that the audit should be completed and the finalised accounts and audit opinion should be published as soon as possible.**
- **to note the draft audit report and updates from the auditors.**

14. Statement of Accounts for financial year 2018-19

The Committee considered the report of the Head of Financial Services and the final Council's Statement of Accounts and Letter of Representation for approval and authorisation.

Bill Lewis (Financial Accounting Manager) explained the change in the accounts as a result of restating pension fund liabilities in light of the recent McCloud court case. He reported that in paragraphs 26 and 27 'decrease' should replace 'increase': the figures were correct.

As noted above, the audit work was not yet completed but it was anticipated that the statement of accounts would not be altered materially between the committee's consideration of them and the conclusion of the audit.

The Committee therefore concluded that the accounts, on the basis that these were complete and correct and not subject to material alterations, and the letter of representation could be signed by the Chair at the conclusion of the audit in order that the final audit opinion could be issued and the Statement of Accounts published as soon as practicable.

The Committee resolved:

- 1. to approve the Statement of Accounts and Letter of Representation as presented to them;**

and provided there were no material alterations to the Statement of Accounts or alterations to the Letter of Representation as presented to this Committee, and when the final Audit report has been received from the Councils auditors Ernst and Young

- 2. to authorise the Section 151 Officer, in consultation with Chair of Audit and Governance, to approve the final Statement of Accounts for 2018/19 as amended to reflect the outcome of the audit; and**
- 3. to authorise the Chair of Audit and Governance on the Committee's behalf to sign the Statement of Accounts and Letter of Representation in conjunction with the Head of Financial Services to allow the final audit opinion to be issued.**

15. External audit: EY Audit Fee Letter for 2019/20 audit services

The Committee considered the Audit Fee letter setting out the proposed audit work and expected fees for the audit of the 2019/20 accounts from the external auditor, Ernst & Young (EY). They noted that EY was anticipating significant changes to the structure of local authority audits to be introduced for the 2020/21 audit which would affect the work and costs.

The Committee agreed the content of the letter and expected fees.

16. Minutes of the previous meeting

The Committee agreed to approve the minutes of the meeting held on 11 March 2019 as a true and accurate record, subject to expanding and clarifying the second point in Minute 38.

17. Dates and times of meetings

The Committee noted the dates and times of future meetings.

18. Audit July 2019 Exempt appendices for Minutes 5 and 6

The Committee's consideration of these in closed session is recorded in the open minutes.

The meeting started at 6.00 pm and ended at 8.20 pm

Chair

Date: Wednesday 23 October 2019