

Minutes of a meeting of the Audit Committee held on 29 June 2017 at Pippbrook, Dorking from 7.00pm to 8.49pm

Present: Councillors Paul Kennedy (Chairman), Simon Ling (Vice-Chairman), Paul Elderton, and James Friend.

5. Minutes

That the Minutes of the Annual Council meeting held on 23 May 2017 be approved as a correct record and signed by the Chairman.

6. Apologies for Absence

Apologies for absence were received from Councillors Tim Ashton, Lynne Brooks and Paul Newman.

7. Disclosure of Interests

None declared.

8. Statement of Accounts 2016/17

The Committee received the Council's draft Statement of Accounts 2016/17 and Annual Governance Statement 2017 (at Appendix A), and were asked to note the contents of these papers, prior to their submission to the Auditors, Grant Thornton, by 30 June 2017. It was noted that there had been an informal opportunity for Members of the Committee to be briefed on the accounts before their submission at a meeting held on 12 June 2017. It was emphasised that the draft version presented to Members on the 12 June had not been changed greatly from the one presented to the Committee. The main change was an adjustment between the usable/unusable reserves on the balance sheet. Comments relating to clarity and headings, which had been raised by members at the informal meeting, had also been incorporated in the published drafts.

Members were advised that the Accounts did not require formal approval at this stage, but best practice dictated that the Committee should have sight of the first draft before the External Auditor's review. The Accounts were scheduled to return to the Audit Committee for scrutiny and authorisation at its next meeting on 21 September 2017.

The Financial Services Manager introduced the draft Statement of Accounts 2016/17. The Statement summarised the Authority's financial transactions for the 2016/17 financial year and its position as at year end, 31 March 2017. The Authority was required, by the Accounts and Audit Regulations 2015, to prepare the Statement in accordance with proper accounting practices. These practices included the CIPFA Code of Practice on Local Authority Accounting in the UK supported by EU adopted International Financial Reporting Standards (IFRS) and statutory guidance issued under the Local Government Act 2003. Janette Gill, Interim Chief Accountant, was welcomed to the meeting to support the discussion. Members were given the opportunity to ask questions about the content of the draft, and clarification was sought on a number of points. Ms. Gill provided clarification on a number of issues that had been raised by Members prior to the Committee meeting. It was agreed to incorporate some minor presentational changes proposed at the meeting to the draft accounts before presenting to the Auditor.

The Chairman welcomed Iain Murray from Grant Thornton to the meeting and Members' attention was drawn to Annex B of the report, which provided the Committee with a progress report and update on the delivery of the Auditor's responsibilities. Mr Murray advised that there were no areas of concern at this stage. It was explained that, following receipt of the

Council's draft financial statements by 30 June, Grant Thornton would be visiting Pippbrook Offices during July 2017 to carry out the final Audit of the 2016/17 accounts.

Members discussed the content of the draft accounts and asked for further clarification on a number of issues which were clarified by Mr Murray. Members questioned the decision to rebut the risk of fraud arising in revenue recognition as detailed on page 6 of the Auditor's report. It was agreed that the Auditors will look into this in more detail and incorporate their conclusions in the final report to be submitted in September 2017.

RESOLVED:

1. That the Council's Draft Statement of Accounts 2016/17 and Annual Governance Statement, be submitted to the Auditors, Grant Thornton, in line with the statutory deadline of 30 June 2017; and
2. The update from the External Auditors, Grant Thornton, be noted subject to revisiting the risk assessment on revenue streams and to provide a thorough explanation in the final report to be submitted to the September Audit Committee meeting.

9. Internal Audit – progress report on 2016/17 Audit Plan, Annual Report 2016/17 and 2017/18 Plan

The Chairman welcomed Mike Cheetham, RSM UK, to the meeting. Mr Cheetham introduced the report which comprises the final progress update from the 2016/17 programme of reviews, the annual report overview of the 2016/17 year and the revised Plan for 2017/18.

It was advised that a further four reports had been finalised since previously reported to the Audit Committee in March 2017. The Committee discussed the contents of each report and a number of questions were asked for clarification to which Mr Cheetham provided a response. Members made some comments about the contents of the assignments and requested that a short summary of each assignment be provided in future to set out the context of each review and the value of expenditure and income scrutinised.

Members also sought clarity about the date given for Action 2 of the Risk Management assignment as detailed on page AC214. It was explained that partnership working required some new models of delivery, and to ensure that they were properly embedded within the MVDC governance arrangements, it was felt appropriate to give it until 31 December 2017 to be properly established.

With regards to the internal audit management actions, it was noted that MVDC had made adequate progress in implementing the previously agreed actions. Members endorsed these findings, and requested that a clearer graph be presented in the final version of the report as the current one did not take into consideration any of the 'low level' management actions as detailed.

RESOLVED:

1. That the progress against the 2016/17 Audit work plan be noted.
2. That the content of the 2016/17 Annual Report be noted, and
3. The revised internal Audit Plan and Charter 2017/18 be approved.

10. Risk Management arrangements

The Committee considered the updated report on the Council's progress in implementing and embedding risk management arrangements throughout the organisation to ensure that

the priorities contained in the Corporate Strategy were met. Members were reminded that the Committee had considered a report on risk management in March 2017. At the March Committee meeting, it was agreed that the arrangements were robust but it was felt that these could be further enhanced by including a number of areas identified at a Member Risk Management Seminar held on 23 February 2017. Members noted the points which were incorporated in the risk arrangements (page AC156 of the report), and the Committee endorsed the changes proposed on the basis that any further developments such as the issue of formal guidance would be reported at a future meeting.

In light of the recent Grenfell Tower tragedy in London, Members expressed some concern over the current Health and Safety provision. The choice of terminology in the report was also felt to be ambiguous to define, such as the language to describe probability. Members were further advised that new General Data Protection Regulations would be introduced in April 2018, and work was planned to ensure that MVDC would be in line with these new regulations. However, Members voiced some concern about this postponement and suggested that the Data Protection risks be reviewed before April 2018. Members requested that these points be communicated to the Executive and be considered further by Officers before finalising the report.

RESOLVED:

1. That the Audit Committee is satisfied with the risk management arrangements.
2. To note that no updates are required to the Strategic Risk Register (Appendix A).
3. Agreed that the Deputy Chief Executive, in consultation with the Executive Member updates the Risk Management Policy as set out in the report.
4. That the following observations of the Audit Committee on the current Risk Management procedure be communicated to the Executive:
 - (i) The Health & Safety position should be reviewed in the light of recent events, in particular the Grenfell fire
 - (ii) The Data Protection risks should be reviewed, particularly given the postponement of the Internal Audit and the changes expected in the General Data Protection Regulations (GDPR)
 - (iii) The language used to describe probability (remote, possible, likely, probable, highly probable) should be reviewed and improved to make the distinctions clearer and sharper

Audit Committee Annual Report 2017/18

The Committee considered the report set out on pages AC164 to AC170 which asked it to note the progress against the 2016/17 work plan, review the Committee's terms of reference as agreed in September 2012, and approve the proposed work plan for 2017/18. The flow of the work programme for 2017/18 effectively replicated the timetable of the 2016/17 programme, and Members were advised accordingly of the various reports which would be received by the Committee over the annual cycle of the next four meetings.

It was also agreed to have a minor change in the wording of Primary action description of the Terms of Reference to the following:

Primary action: to produce an annual report on the Committee's work.

RESOLVED:

1. That the progress against the 2016/17 work plan be noted.
2. To note the minor update required to the Terms of Reference. Having reviewed its Terms of Reference, the Committee was satisfied that the audit functions of the Committee, as set out, were effectively discharged during 2016/17.
3. That the work plan for 2017/18 be approved.

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Chairman

Date: