

Minutes of a Meeting of the Audit Committee held on 19 March 2019 at Pippbrook, Dorking from 7.00pm to 8.03pm

Present: Councillors Paul Kennedy (Chairman), Paul Elderton (Vice-Chairman), Tim Ashton, Lynne Brooks, Mary Cooper, James Friend and Paul Newman.

43. Minutes

That the minutes from the meeting of the Audit Committee held 7 February 2019 were approved as a correct record and signed by the Chairman.

44. Apologies for Absence

None.

45. Disclosure of Interests

None declared.

46. Certification of Housing Benefit Subsidy Claim 2017/18

The Engagement Lead from Grant Thornton presented the report and highlighted that the Department of Work and Pensions prescribed the methodology for the audit and therefore materiality could not be applied. It was noted that it is not unusual for small errors to be identified and the £6 overspend was due to a transposition error. The scanning equipment was identified as the cause, and new equipment was purchased to ensure the error does not recur. Officers advised that it was recommended that continuous improvements in the checking process would be undertaken.

The Committee enquired about the sample tested. The Engagement Lead confirmed that 40 cases were tested, then when an error was found a further 40 cases were tested.

Members questioned whether there would be a reduction in errors if the process became more automated in future. It was confirmed that this was a reasonable expectation.

It was suggested that there was an error in Appendix B which related to the indicative fee and actual fee. The representatives from Grant Thornton agreed to check whether there was an error.

RESOLVED:

That the Audit Committee noted the report.

47. 2018/19 External Audit Plan

The Engagement Manager from Grant Thornton presented the report and highlighted the additional commitment to early audit testing, the planned escalation procedures and weekly calls between the audit team and the Chief Accountant to ensure the 31 July deadline would be met. It was further noted that the Housing Benefits Subsidy Certification was required to be reported and the Engagement Manager drew the Committee's attention to the information in the report regarding the fee and independence. An error was highlighted in the Financial Pressures section, where should have read a "contribution of £0.5 million", rather than "a use of".

The Committee queried the reporting processes that would be followed should there be a risk that deadlines would not be met. The Engagement Lead and Officers confirmed that regular conversations would be taking place and that the Chairman of Audit Committee would be notified should there be any concerns. It was also highlighted that more robust planning had taken place and Officers have an overview of progress on a dashboard and would be quickly able to identify areas of concern. Officers also noted that they were confident that the deadline would be met, and that specific areas of work had been undertaken earlier than the previous year to gain time later in process for quality review.

Members noted that in the previous year, the Audit Committee had expressed uncertainty regarding the translation of the audit opinion between MOVA Group of Companies and MVDC, and asked for confirmation that lessons learned from the previous year have been communicated. Officers advised that the process would be brought forward by one month and all properties whose value has changed by 10% have been reviewed, to understand why and to ensure that the correct valuation methodology has been undertaken. It was also confirmed that Grant Thornton and Bullimores were in agreement on this process.

Members requested further detail regarding the additional Grant Thornton resources outlined in the report. The Engagement Lead confirmed that the manager had a reduced portfolio this year and clearer timescales with flexibility built in.

The Committee discussed potential changes to the upcoming Audit Committee dates and Members noted that if a workshop was held to review the draft accounts, Members would require sight of the papers a week in advance. It was noted that the Section 151 Officer would sign off the draft accounts for 31 May 2019, for the Audit Committee to review at a workshop in early June. It was also noted that Members of the outgoing Audit Committee would be invited to provide input to the draft Audit Committee report for 2018/19.

Officers advised that the implementation of the Big Red Button had been successful to date and they were satisfied with the validation procedures. It was also highlighted that any base changes were being implemented throughout the accounts using the software. Discussions have taken place between Officers and Grant Thornton regarding the working papers and the change in how accounts are produced.

Members asked whether Grant Thornton had reviewed the draft accounting policies. It was confirmed that Grant Thornton have been shown the draft policies and had an opportunity to comment. However, they were not required to sign off the policies at this stage as they would be audited in due course. Officers reassured the Committee that the draft accounting policies are compliant with Chartered Institute of Public Finance and Accountancy (CIPFA) guidance.

RESOLVED:

That the Audit Committee noted the 2018/19 External Audit Plan as shown in Appendix A.

48. Draft Accounting Policies 2018/19

Officers presented the report, and the Committee were referred to the addendum which amended an error in Appendix A. An erroneous reference to a car manufacturing plant was noted and it was agreed that this would be removed. It was noted that the auditors are yet to undertake their formal review and therefore the policies would be subject to change.

Members requested clarification regarding Mole Valley District Council's (MVDC's) role regarding the financial aspect carried out on behalf of the Business Improvement District (BID), and the loans that have been made. It was confirmed that MVDC collect the non-

domestic rates, which are passed onto the BID group, and account for the money. Officers further confirmed that soft loans have been made, generally for small amounts.

Members noted that there have been two changes to the CIPFA code and asked Officers what the impact of these changes would be and whether these have been reflected in the draft accounting policies. The Committee were advised that IFRS 15 would not have a significant impact as it is a change in the detail of what would already be undertaken. In relation to IFRS 9, Officers confirmed that the team have attended training courses and would not expect a significant impact on the accounts of MVDC, other than additional disclosure requirements.

Officers highlighted that the policies for Group Accounts utilised those of the Single Entity Accounts, with enhancements and internal charges.

RESOLVED:

That the Audit Committee noted the draft accounting policies for 2018/19, as set out in:

1. Appendix A – Mole Valley District Council Single Entity Accounts
2. Appendix B – Mole Valley District Council Group Accounts.

The Chairman thanked Members and Officers for their contribution to the work of the Committee during the year.