

## **Minutes of a meeting of the Audit Committee held on 31 May 2018 at Pippbrook, Dorking from 7.00pm to 8.20pm**

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

### **5. Minutes**

That the Minutes of the Annual Council meeting held on 22 May 2018 be approved as a correct record and signed by the Chairman.

### **6. Apologies for Absence**

Apologies for absence were received from Councillors Lynne Brooks.

### **7. Disclosure of Interests**

None declared.

### **8. Statement of Accounts 2017/18**

The Committee received the Council's draft Statement of Accounts 2017/18 and Annual Governance Statement which were circulated at the meeting. Officers advised Members of the Committee that, despite the shorter statutory deadlines for production of the audited accounts, the Council achieved that deadline, and the draft statement of accounts for 2017/2018 was published on the Council's website and relayed to the auditors on time as required. Officers were conscious that this revised timetable provided no opportunity for the Audit Committee to study the draft accounts and to offer comments before submission and sign-off by the section 151 Officer. As a result, it was suggested to look at future meetings of the Audit Committee to make it possible for it to look at the draft accounts. In the short term however, it was proposed to hold two separate informal meetings: the first meeting to go through the key issues of the draft accounts; and a second meeting, where a representative from Grant Thornton (External Auditors) would be present, to share the issues that have been highlighted during the audit and resolutions.

The Chairman congratulated Officers who have worked hard to achieve this result and for meeting these new restricted deadlines and agreed to hold the extra informal meetings to go through the accounts.

It was agreed that dates would be circulated to Members of the Committee to find suitable dates to hold the suggested informal meetings above.

#### **RESOLVED:**

That the Audit Committee noted that the draft Statement of Accounts 2017/18 and Annual Governance Statement have been submitted to the Auditors, Grant Thornton, on 31 May 2018, in line with the statutory requirement.

### **9. Internal Audit – Progress Report and Annual Report 2017/18 Audit Plan**

MVDC's Risk Management and Performance Manager introduced the report and welcomed Mike Cheetham, RSM UK, to the meeting. Mr Cheetham gave an overview of the contents of the report which comprises the progress update from the 2017/18 programme of reviews and the Annual Report 2017/18.

It was advised that a further four reports had been finalised since previously reported to the Audit Committee. The Committee discussed the contents of each report and a number of questions were asked for clarification to which Mr Cheetham provided a response.

With regards to the Southern Building Control Partnership, which was issued a partial assurance opinion, it was stressed that Tandridge District Council and Reigate and Banstead Borough Council would also have a similar report, and the performance of the partnership would be reported to the Joint Partnership Board, but the risks flagged up for MVDC were highlighted in this report.

Members sought assurance that MVDC had an effective control framework over its relationship with the partnership as it was effectively a third service provider. It was reported that the risks registers already in place would pick up on any issues relating to governance of MVDC over the partnership. There were also some concerns about the governance of data, and it was explained that cyber and data security were not included in the review but were dealt with as separate issues for MVDC. Members felt that these latter concerns should be considered as separate opinions when such reviews are carried out. Officers explained that in the Internal Audit Plan for 2018/2019, there would be two reviews on the governance of the shared services, and the above points could be picked up in the audit of these reviews.

Members also expressed concerns over the Officers listed as responsible for the actions highlighted in the audit as they were not MVDC Staff, and believed that MVDC Officers should be held responsible for closing the internal audit. It was explained that the Executive Head of Service was responsible to ensure that the recommendations received in the audit were actioned. It was agreed that the name of the MVDC responsible officer would be added to each action in the report.

With regards to the Commercial Property Acquisition, Members noted that the opinion issued was actually substantial and not reasonable assurance as detailed in the report. This was a typographical error. In response to questions, Mr Cheetham said he believed it was reasonable to describe the valuations as independent even though the valuers' remuneration was contingent on a successful sale to MVDC or its subsidiaries, since they were reputable companies subject to professional standards. He confirmed that the findings were largely based on a review of documentation, and that RSM UK had not for example checked the detailed IRR calculations.

The Committee then moved on to discuss the 2017/2018 annual report, which summarised the overall 2017/18 programme and progress against the audit plan. Members noted that 16 reviews were completed during this period. Members' attention was drawn to the key issue detailed in section 1.1 of the report which referred to the internal audit opinion and stated that the organisation had an adequate and effective framework for risk management, governance and internal control; however, the audit has identified further enhancements to ensure that these standards were maintained.

The performance indicators as detailed in the report at page AC33 were discussed in detail, and there were some questions over the relevance of some of them. It was agreed that Officers review and update the key performance indicators to ensure these were relevant and up to date.

With regards to the internal audit management actions, it was noted that MVDC had made good progress in implementing the previously agreed actions.

**RESOLVED:**

1. That the progress against the 2017/18 Audit work plan be noted.
2. That the content of the 2017/18 Annual Report be noted.

**10. Audit Committee Annual Report 2017/18**

The Committee considered the report set out on pages AC39 to AC47 which asked it to note the progress against the 2017/18 work plan, review the Committee’s terms of reference and whether the audit functions of the Committee were effectively discharged during 2017/18. The Committee was also asked to approve the proposed work plan for 2018/19.

It was argued that some of the timescales detailed in the report were not consistent with the actual work of the Audit Committee. For example, Members argued that, according to the Terms of Reference, the Committee should have received the External Auditor’s plan in the May meeting. However, these were presented in a draft format at an earlier scheduled meeting in March, when they had been considered by the Committee, but had not been formally approved.

The Committee proposed that, due to the revised statutory timetable, some of the dates should be amended to reflect the actual progress against the work plan. It was agreed to leave the Risk Management and Performance Manager to make these amendments as necessary.

Members questioned whether the primary actions as detailed in the Terms of Reference were accurate and complete, for example in relation to MVDC’s subsidiaries. The Democratic Services Officer clarified that the primary actions were not formally part of the Terms of Reference but had been added to help Members of the Committee confidently address each one of them, and would be amended and updated as necessary.

The Committee also agreed the Annual Report produced on the Committee’s work would also be reported through to Council.

**RESOLVED:**

That, subject to the amendments to the Work Plan 2018/19 and to the primary actions to meet the Terms of Reference as discussed above;

1. The progress against the 2017/18 work plan be noted.
2. The Committee were satisfied that the audit functions of the Committee, as set out, were effectively discharged during 2017/18 and should be reported at the next Council meeting.
3. That the work plan for 2018/19 be approved.

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Chairman  
Date: