

Minutes of a meeting of the Audit Committee held on 25 July 2019 at Pippbrook, Dorking from 7.00pm to 8.17pm

Present: Councillors Lynne Brooks (Chairman), Mary Cooper (Vice-Chairman), Roger Adams, Paul Elderton, David Preedy and Caroline Salmon

Also present: Councillor Paul Kennedy.

5. Minutes

The Minutes of the Audit Committee meeting held on 21 May 2019 were approved as a correct record and signed by the Chairman.

6. Apologies for Absence

An apology for absence was received from Councillor Tim Ashton.

7. Disclosure of Interests

None declared.

8. Internal Audit Progress Report

The Chair welcomed representatives from Southern Internal Audit Partnership (SIAP), Ms Natalie Jerams and Mr Neil Pitman, to the meeting. The representatives introduced the report which summarised the findings of the Internal Audit reviews that had been completed since 1 April 2019. Ms Jerams explained that all planned audits were on track and that two audits had been brought forward to allow another audit to be conducted at a later date. It was noted that no adjustments have been made to the plan since approved by the Committee.

Members questioned the definition of financial sustainability and how far ahead predictions can be made. Ms Jerams advised that the review had been scoped and would consider the Medium Term Financial Plan and the delivery against the plan. The audit would also review the basis on which predictions had been made and whether independent assurance could be provided.

The Committee asked whether additional information could be provided in the report relating to actions for completed audits, and whether the Audit Committee could be provided with the internal audit reports to gain an overview of issues that have been raised. The representatives from SIAP explained that where the opinion of an audit is substantial there would be no actions and therefore this does not appear in the report. The Committee were reassured that further details would be provided in the report where limited or no assurance was given. This would include observations raised and key risks. For this reason, the representatives advised that individual internal audit reports would not be shared with the Committee as the reports received from SIAP provide the level of detail required to monitor progress.

It was further suggested that the performance dashboard could provide specific customer feedback from Mole Valley District Council (MVDC), alongside the customer feedback from all key stakeholders. Mr Pitman advised that feedback is sought on an annual basis in December, and MVDC's feedback can be provided in the report that follows the survey.

Members questioned how the results of the internal audits feed into the risk register. Officers explained that the Internal Audit Plan made reference to the strategic and service risk

registers, which have been shared with SIAP. Where limited or no assurance was reported, the relevant risk registers would be reviewed.

The Committee asked whether review areas correspond with the previous year's audit and therefore whether a comparison could be provided. Officers advised this would be considered.

Officers outlined the progress made on the actions from the 2018/19 audit, as set out in the report. It was noted that two items were not yet due and a further progress report would be considered by the Audit Committee. An error was identified on AC7, where it should refer to the "appropriate apportionment of costs".

Members of the Committee asked whether there is therefore a risk created by moving the internal audit of financial sustainability to Q3. Officers advised that this should not be case as the audit would review the process by which factors are considered that would affect MVDC financially, rather than providing a definitive statement of MVDC's financial sustainability

Officers reported that the final Annual Internal Audit Report 2018/19 had been received, and that the opinion stated in the draft report (considered by Audit Committee in February 2019) had been confirmed.

RESOLVED: that the

1. Progress against the 2019-20 Audit Plan as set out in Appendix A be noted
2. Progress to implement recommendations from Internal Audit Reports undertaken in 2018/19 be noted

9. Annual Governance Statement (AGS) 2019

Officers introduced the report and noted that there were no significant governance issues identified for inclusion in the AGS, however, actions were included to ensure continuous improvement to governance arrangements.

The Committee questioned the process by which the AGS is signed off. It was confirmed by Officers that the AGS had been shared in an informal meeting in May and had been published as a draft for consultation as part of the Statement of Accounts. Officers advised that the sign-off process is statutory and had taken place in preparation for the Committee to approve the AGS for inclusion in the Statement of Accounts. If there were amendments to be made at this stage, these could be considered for inclusion.

Members asked how MVDC undertook benchmarking, specifically regarding Key Performance Indicators (KPIs) and maintaining minimal levels of risk. The Committee were advised that in producing the AGS, Officers made use of the Chartered Institute of Public Finance & Accounting (CIPFA) and Society of Local Authority Chief Executives and Senior Managers (Solace) framework and guidance notes, and had discussions regarding best practice with the Surrey Policy Officers Group. To benchmark the AGS, officers referred to other Local Authorities' AGSs where significant issues had been included, as well as those Local Authorities listed as MVDC's 'nearest neighbours' by CIPFA. It was noted that both the internal and external auditors had not raised any significant issues. Officers advised that the review of KPIs takes place each year with Cabinet Members, to challenge targets, and Officers were asked to use benchmarking information as part of this process.

RESOLVED: that the AGS 2019 be approved for inclusion in the Statement of Accounts 2018-19

10. 2018/19 Statement of Accounts

The Section 151 Officer advised that the report has been withdrawn. It was highlighted that although Officers aimed to sign-off the accounts on 31 July, this would have required delegatory powers to be used which the Audit Committee did not have the authority to delegate. Officers explained that due to a ruling on the McCloud court case in May, which had implications for all local authority pension funds and the way they need to be accounted for in the 2018/19 accounts it was likely that the Statement of Accounts would be delayed beyond 31 July. Additionally, the implementation of the Big Red Button software had resulted in delays. Officers outlined the options available to gain the required sign-off and, with consideration given to the restraints on the external auditor's time, it would be likely that an Audit Committee meeting at the end of August would be required.

To facilitate the process for upcoming years, it was suggested that a change to the constitution to allow the Committee to sign-off a version of the accounts, subject to minor amendments could be necessary. The Section 151 Officer, in consultation with the Chair of Audit Committee would then provide final sign-off. If there was a substantial change, the Statement of Accounts would be considered again by the Committee. Members added that it was critical that decisions were made publicly.

The Committee questioned the implications of producing the Statement of Accounts beyond the deadline. Officers advised that there would be no financial sanctions, MVDC would be listed in a report by the Public Sector Audit Appointment Body and would be required to publish on the MVDC website the reason for lateness and when sign-off would be expected.

The Section 151 Officer highlighted that the implementation of the Big Red Button should aid the process next year.

RESOLVED: that the item be deferred to a future meeting, following finalisation of the accounts with the external auditor.

11. Audit Committee Annual Report 2018/19 and Work Plan 2019/20

Officers introduced the report set out in AC39 to AC48 and noted that all reports in the work plan were presented in 2018/19. The Committee discussed whether any reports scheduled for the March meeting could be moved and Officers advised that the majority were time sensitive so it would not be possible to reduce the workload in a meaningful way.

Members suggested that the word "oversee" would be replaced by "monitor" in the Terms of Reference. In accordance with Part 3, Paragraph 1, the change is deemed to be a minor change to the constitution and the Chief Executive will agree it in consultation with Group Leaders and the Portfolio Holder for Finance and Organisation.

The Chairman advised the Committee of the proposed dates for 2019/20 – 31 October, 6 February and 26 March. Members agreed that additional seminars with a focus on the Asset Investment Strategy and Treasury Management would be valuable, open to all members. The Chairman requested that if members had other topics in mind that would be useful, to share following the meeting.

RESOLVED: that

1. the progress against the 2018/19 work plan be noted
2. Subject to the following minor amendments being agreed by the Chief Executive, in consultation with the Group Leaders and Portfolio Holder for Finance and Organisation, the Terms of Reference (Paragraph 1, Point 3 and Paragraph 5), be amended to read "and to **monitor** the financial reporting process" and "to **monitor** the implementation of the Accounts and Audit Regulations 2003/522 (as amended to

replaced) including the Statement of Accounts and the Council's Statement of Accounting Policies", respectively.

3. The work plan for 2019/20 be approved

12. Treasury Management – Annual Report and Prudential Indicators – 2018/19

The report was introduced by Officers who highlighted that there have not been any breaches and MVDC has not exceeded, and has operated within, the Prudential Indicators (PIs).

A correction was noted in relation to PI 13. Officers explained that the wrong figure had been picked up in the table and the original estimate should be 11.65%. The difference between that and the actual ratio of 8.73% was because the MRP policy was set during 2018/19 and the figures for finance costs now reflect the current policy.

The Committee discussed the content of the report and a number of questions were asked for clarification. The Committee questioned the circumstances under which MVDC can borrow. Officers confirmed that MVDC cannot borrow in advance of need and borrowing cannot be used to fund revenue needs.

RESOLVED: That

1. The Treasury Management Annual Outturn report for the financial year ended 31st March 2019 be received and the performance against the prudential indicators as detailed in Appendix A be noted

RECOMMENDATION that the Treasury Management Annual Outturn report be commended to Council.

13. Urgent Items

The Chairman advised the Committee that if there were further questions for the previous Audit Committee to submit these as soon as possible.

A provisional date of 28 August was agreed for the additional Committee to approve the Statement of Accounts 2018/19.

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Date: Chairman