

Audit Committee

27 September 2017

Present: Mr M Wilkinson (Chair)
Councillors L Bell, D Cox, N Craven, A McMullen,
T Mulvenna and J Wallace.

AC16/09/17 Apologies

Apologies for absence were submitted on behalf of Mr K Robinson and Councillors G Bell and S Graham.

AC17/09/17 Substitutes

Pursuant to the Council's constitution the appointment of the following substitute member was reported:-

Councillor T Mulvenna for Councillor S Graham

AC18/09/17 Declarations of Interest and Dispensations

There were no declarations of interest or dispensations reported.

AC19/09/17 Minutes

Resolved that the minutes of the meeting held on the 24 May 2017 be confirmed as a correct record and signed by the Chair.

AC20/09/17 Annual Statement of Accounts 2016/17

Consideration was given to a report which provided an update on the approvals process for the annual statement of accounts.

It was explained that the Chief Finance Officer was currently required to sign and certify the Statement of Accounts as a true and fair view of the Authority's financial position by the 30 June each year. In addition the audited set of accounts was required to be published by the 30 September each year. The Accounts and Audit Regulations 2015 had made changes to the timetable for the sign off and publication of the Authority's accounts. From the 2017/18 financial year the statement of accounts had to be certified by the 31 May and the accounts published by the 31 July.

The Audit Committee at its meeting held on 30 November 2016 (minute AC25 /11/16 refers) had been advised that it had been the intention to bring forward the target date for the handing over of the draft accounts to the Chief Finance Officer to the 31 May 2017. This target date had been met although it was acknowledged the issues around valuations and the need to restate the previous year's accounts meant that further work had been required. The signed and certified accounts had subsequently been published on the 16 June 2017, which was two weeks earlier than the statutory deadline.

It was explained that a timetable for the 2017/18 closedown process was currently being developed and it was the intention to circulate this to the relevant sections and individuals in early October 2017. A de-briefing session had been arranged with the Chief Finance Officer and all those involved in the closedown process, including ENGIE and Capita, to go through the issues identified and to begin the process for the 2017/18 closedown. It was also explained that discussions were taking place with the External Auditors to ensure that both organisations worked together to allow the Authority to meet the statutory deadlines.

A report on the 2017/18 closedown of the accounts would be presented to the November meeting of the Committee

The Chair thanked the officers for their update.

Resolved that (1) the work undertaken in respect of the production of the 2016/17 accounts be noted; and
(2) the report on how the lessons learnt from the closedown of the 2016/17 accounts would be incorporated into the 2017/18 plan be noted.

AC21/09/17 Presentation on the Key Features of the 2016/17 Accounts

Consideration was given to a presentation which provided details of the main points from the 2016/17 financial statements. It was explained that the final outturn position of the general fund had been £0.426M over budget and the Housing Revenue Account had been £2.265M better than budgeted for.

It was explained that there had been a need to restate the closing balances of the 2015/16 accounts in relation to Property, Plant and Equipment due to revisions made to the value of several assets.

Reference was made to the changes which had been made relation to the valuation of social housing. Prior to 2016 the valuation of council house assets had been reduced by a regional adjustment factor in recognition of their status as social housing. This factor had been at 37% of the value. Changes to the Social Housing Factor Discount had resulted in social housing assets now being valued in the Authority's balance sheet at 44% as opposed to the previous valuation which was a significant change which impacted on the Housing Revenue Account.

Details of the Comprehensive Income and Expenditure Statements were presented together with the key variances and the reasons for the variances. It was explained that the majority of the variances had been as a result of changes to regulations. Reference was also made to the key items around the valuation of the pension fund which had an impact on the liabilities reported.

It was acknowledged that for the Authority to get a clean bill of health was a very positive finding and as a result of the work of all concerned.

Resolved that the presentation be noted

AC22/09/17 Audit Completion Report

Consideration was given to a report, by Gareth Davies and Diane Harold from Mazars, the Authority's external auditors, which provided details of the outcome of the external audit of the Authority's 2016/17 financial statement. The report provided an unqualified audit opinion of the accounts and the arrangements in place to secure value for money. In addition the significant findings from the audit were outlined together with a number of internal control recommendations and the management response to those recommendations.

Reference was also made to the earlier deadline for the closure of the accounts and it was explained that external auditor had not encountered any significant difficulties and therefore did not anticipate any difficulties in meeting the new deadlines.

Members sought clarification on a number of issues including:

- The risk of management override of controls. It was explained that there were no significant risks identified but some internal control improvements were required.
- The issues in relation to care plans administered by Adult Social Care. It was explained that the issues identified were more of an issue to be addressed by Adult Social Care management although it was noted that a new system to be installed with the service area would provide a more transparent audit trail. It was also explained that the response would be monitored.

The Chair thanked Mazars for their report

Resolved that the report be noted

AC23/09/17 Audit Progress Report – September 2017

The Committee received a progress report presented by Gareth Davies from Mazars, the Council's external auditors, in respect of the 2016/17 audit year.

It was explained that work on the housing benefit subsidy returns was ongoing along with works on various other claims and returns.

The report also outlined a number of publications and updates relevant to the Committee and Authority. It was noted that Public Sector Audit Appointments Limited had carried out a review of the performance of audit firms to provide assurance that auditors were providing high quality audits for their clients. Mazars had been given a top rating as a result of this review.

Reference was also made the works undertaken by Mazars in respect of a number of combined authorities including the North East Combined Authority.

The Chair thanked Mazars for their report.

Resolved that the report be noted.