

## AUDIT AND GOVERNANCE COMMITTEE MINUTES - 17 NOVEMBER 2016

**Present:** Councillors Stevens (Chairman), Lovelock, McElligott, McKenna, Steele & Terry.

**Also in attendance:**

|                 |                                      |
|-----------------|--------------------------------------|
| Simon Warren    | Interim Managing Director            |
| Alan Cross      | Head of Finance                      |
| Paul Harrington | Chief Auditor                        |
| Rachel Musson   | Interim Strategic Finance Director   |
| Maria Grindley  | Director and Engagement Lead, EY LLP |
| Alan Witty      | EY                                   |
| Jo Taylor       | EY                                   |

**Apologies:** Councillor Page.

### 20. MINUTES

The Minutes of the meeting of 29 September 2016 were confirmed as a correct record and signed by the Chairman.

### 21. APPROVAL OF THE 2015/16 ACCOUNTS, EY AUDIT MEMORANDUM AND AUDIT OPINION (ISA 260)

Further to Minute 17 of the meeting held on 29 September 2016, Alan Cross, Head of Finance, submitted a report, which had been subsequently updated and re-circulated to the Committee and was also available at the meeting. The report stated that in accordance with the Accounts & Audit Regulations, the Committee, on behalf of the Council was required to approve the Council's accounts. Ordinarily, this should have occurred by the end of September, but the Auditor had indicated that she was not in a position to conclude the audit at the previous meeting.

Since September 2016, the technical finance team had done a significant amount of work to respond to EY's outstanding queries, and the auditor had provisionally indicated that subject to EY's final checks and the approval of the accounts by the Committee, the receipt by them of a Management Representation letter, the receipt by the Committee of the Report to those Charged with Governance they would be in a position to issue an unqualified audit report on the (amended) Council's accounts, thus concluding the accounts audit process for 2015/16.

The report explained that EY was separately required to issue a value for money (VFM) opinion, which included factors related to financial stability. EY had continued to indicate that this opinion would be qualified. Details of these VFM qualifications were set out in the Auditor's report, which had been circulated to the Committee. The Committee noted that the increasing financial pressure on local authorities was likely to mean more local authorities would receive qualified VFM assessments this year and in the future. It was anticipated that, as in previous years, an annual report would be prepared by PSAA Ltd (the successor body to the Audit Commission) and published and sent to the DCLG in December on the national picture and this information could be made available to Committee members when it was available.

Maria Grindley, EY, presented their report. She explained the reasons why it had not been possible to meet the statutory deadline on closing the accounts and the work that had subsequently taken place to enable EY to issue an unqualified audit report on the accounts. The Committee was advised that EY would be present at all its

## **AUDIT AND GOVERNANCE COMMITTEE MINUTES - 17 NOVEMBER 2016**

meetings and would present a progress report to ensure that points for improvement in the Council's auditing processes would be highlighted at an early stage and provide assurance that sufficient progress was being made on any areas identified as requiring improvement. The external auditors would be in regular dialogue with the Council's finance and audit teams between committee cycles to ensure key activities were being undertaken. There would be a review of the process followed this year in December 2016 and any areas of concern that had been identified could be reported back to the Committee on 26 January 2017.

The Committee noted the capacity issues that had been raised in the report about the ability of the Finance Team to respond to EY as promptly as they would have liked, which had delayed the conclusion of the external audit. Similarly, the internal audit team had experienced resource constraints, which had been partly caused by being commissioned to undertake some targeted reviews to ensure proper processes were being followed and the Council could demonstrate it was spending appropriately. As a consequence of this change in focus on audit work, there was less time spent on key financial systems, so EY was not able to rely on Internal Audit's work in the same way KPMG had been in recent years and so had undertaken more of the work themselves.

### **Resolved:**

- (1) That the Management Representations letter from the Finance Director and Head of Finance be noted;**
- (2) That EY's (ISA 260) Report to those charged with governance be noted;**
- (3) That the final accounts, including the revised Annual Governance Statement for 2015/16 be approved, on behalf of the Council, noting that in doing so EY would be in a position to issue an unqualified opinion on the accounts;**
- (4) That the qualified VFM opinion and actions the Council had agreed to pursue arising from the audit on behalf of Council, as set out in Section 4.3 of the Head of Finance's report, be noted;**
- (5) That there would be a joint EY and RBC finance staff review session of this year's external audit process, to ensure lessons could be learnt from this year to provide a better foundation for a smoother process in future years be noted;**
- (6) That the PSAA feedback to the DCLG about the national picture of local authorities receiving a qualified value for money assessment be reported back to members of the Audit & Governance Committee for information;**
- (7) That any gaps in the capacity of Internal Audit to carry out its assurance work be reported to the Audit & Governance Committee at the earliest opportunity.**

(The meeting started at 6.00pm and closed at 6.24pm).

**SIGNED:**

**DATE:**