

**MINUTES OF A MEETING OF THE
AUDIT COMMITTEE
Town Hall, Main Road, Romford
30 January 2019 (7.00 - 7.50 pm)**

Present:

COUNCILLORS:

Conservative Group Viddy Persaud and Roger Ramsey

Residents' Group Gerry O'Sullivan

**Upminster & Cranham
Residents' Group** ⁺John Tyler

**North Havering
Residents Group** Martin Goode (in the Chair)

An apology for absence was received from Councillor Clarence Barrett. ⁺Councillor John Tyler substituted for Councillor Clarence Barrett.

Through the Chairman, announcements were made regarding emergency evacuation arrangements and the decision making process followed by the Committee.

14 MINUTES OF THE MEETING

The minutes of the meeting of the Committee held on the 27 November 2018 were agreed as a correct record and signed by the Chairman.

15 LOCAL GOVERNMENT AUDIT COMMITTEE BRIEFING

Members received the Local Government Audit Committee briefing document for Quarter 4, December 2018.

RESOLVED:

That the contents of the briefing document, be noted.

16 EXTERNAL AUDIT PLAN 2018-19

The Committee received a report which advised of the proposed External Audit Plan for 2018/19.

The Council's external auditor's Ernst & Young presented their provisional audit plan for 2018/19. The purpose of the report was to provide the Committee with a basis to review its proposed audit approach and scope for the 2018/19 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments Ltd, auditing standards and other professional requirements. It was also to ensure that the external auditor's audit was aligned with the Committee's service expectations.

The plan summarised the external auditor's initial assessment of the key risks driving the development of an effective audit for the Council, and outlined their planned audit strategy in response to those risks.

Materiality for both the Council and Group had been set at £8.8 million, which represented 1.8% of the prior years gross expenditure on provision of services.

The audit risks and areas of focus for the 2018/19 audit strategy were:

- Misstatements due to fraud or error
- Incorrect capitalisation of revenue expenditure
- Valuation of land and buildings
- Group Financial Statements
- IAS 19 pensions valuation and disclosures

The Council entered into joint venture arrangements for the redevelopment and regeneration of the Rainham and Beam Park Housing Zone, Bridge Close and 12 housing estates within the borough. The Council would need to consider whether any transactions should be consolidated within its group financial statements, having regard to both the specific nature or circumstances of the joint venture (qualitative criteria) and the relative size of the joint venture to the group (quantitative criteria). If they were consolidated, this would be the first year of consolidation for the joint ventures, therefore there would be a risk that the financial statements may not be prepared accurately.

The duty to prescribe fees was a statutory function delegated to Public Sector Audit Appointments Ltd (PSSA) by the Secretary of State for Communities and Local Government. The proposed final fee for 2017/18 included a proposed variation of £4,800 to the PSAA scale fee of £116,920, which related to the work undertaken in testing the consolidation of Mercury Land Holdings into the Council's group financial statements.

RESOLVED:

That the contents of the plan, be noted.

17 CLOSURE OF ACCOUNTS TIMETABLE

The Committee received a report which advised Members of the progress to date in preparing for the closure of the 2018/19 Accounts.

The Council had successfully closed its accounts and prepared its Financial Statements for 2017/18 by the statutory deadline. The priority for the closure programme was to ensure that all key activities had been captured in the timetable, and that roles and responsibilities had been identified and understood.

As part of the quicker closedown preparation process, Havering had introduced a period 9 closedown in order to provide an opportunity for a trial run on an accelerated timetable. The closedown planning process began in November 2018 and a number of risk areas that could cause delays or problems with the audit were identified. These risks had been reviewed and a plan to mitigate the risks included. Officers were confident that the key deadlines as outlined in the report would be met.

RESOLVED:

That the report, be noted.

18 ACCOUNTING POLICIES 2018-19

The Committee received a report which summarised the main contents of the accounting policies adopted by the Council and the required changes to ensure the accounts for 2018/19 were prepared in accordance with accounting regulations.

The revised accounting policies for 2018/19 were shown in Appendix A to the report and would be included in the Statement of Accounts.

There were several changes proposed to Havering's accounting policies for the 2018/19 accounts, driven by the adoption of two new standards:

- International Financial Reporting Standards (IFRS) 9 – Financial Instruments, which replaced International Accounting Standards (IAS) 39 – Financial Instruments.
- International Financial Reporting Standards (IFRS) 15 – Revenue from Contracts with Customers, which replaced International Accounting Standards (IAS) – Revenue.

Members discussed the measurement of particular specialist assets such as schools who are able to convert to academy status and transfer the asset for nil value. Members sought clarification on the relevance of their inclusion in the financial statements as the land and buildings were not readily marketable. It was explained that the inclusion was in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom, however a footnote would be included in the financial statements to indicate those assets that had converted to academy status and an explanation would be included in the covering annual report which set out the council's position.

RESOLVED:

That the Committee noted and commented on the accounting policies applicable to financial year 2018/19.

19 TREASURY MANAGEMENT STRATEGY STATEMENT

Members received a report which fulfilled the Authority's legal obligation under the Local Government Act 2003 and covered:

- The Borrowing and Investment Strategies
- Treasury Management Indicators
- Prudential Indicators
- A minimum Revenue Provision policy

Members noted that Cabinet would be requested to approve the following at its meeting on the 13 February 2019:

- The Treasury Management Strategy Statement (TMSS) 2019/20
- The Treasury Management and Prudential Indicators
- The Annual Minimum Revenue Provision (MRP) Statement for 2019/20 and
- Recommend the TMSS and MRP statements 2019/20 to Council for approval.

RESOLVED:

That the report, be noted.

20 GOVERNANCE UPDATE

The Committee received a report which advised on the progress against significant governance issues as reported in the 2017/18 Annual Governance Statement (AGS).

The Council had an officer Governance and Assurance Board which met at least quarterly to oversee the process to produce the AGS annually and as a standing meeting item monitored and updated the action plan to address significant governance issues raised. The 2017/18 AGS was reported to the Committee in July 2018 and accompanied the Annual Statement of Accounts presented for sign-off on 31 July 2018.

RESOLVED:

- i) **That the report, be noted.**
- ii) **That the Committee raised any concerns and asked specific questions of officers where required.**

21 HEAD OF ASSURANCE - PROGRESS REPORT QUARTER THREE 2018/19

The Committee received a report which advised on the work undertaken by the Assurance Service between October and December 2018.

Members noted the details of the final reports issued in quarter three, as outlined in the report. It was noted that there were no school audits issued during this period.

Four reports had been issued during 2018/19 up until December 2018, all of which received medium assurance. There were eleven recommendations brought forward from previous quarters which received a recommendation of high risk. As of 30th November 2018, all high risk recommendations due had been implemented. The remaining five high risk recommendations were not due to be implemented until quarter four.

RESOLVED:

- i) **That the report, be noted.**
- ii) **That the Committee raised any concerns and asked specific questions of officers where required.**

Chairman