

**MINUTES OF A MEETING OF THE
AUDIT COMMITTEE
Committee Room 3B - Town Hall
5 September 2019 (7.00 - 8.20 pm)**

Present:

COUNCILLORS:

Conservative Group	Viddy Persaud (Vice-Chair), Roger Ramsey and Judith Holt
Residents' Group	Gerry O'Sullivan
Upminster & Cranham Residents' Group	Gillian Ford
North Havering Residents Group	Martin Goode (in the Chair)

Unless otherwise indicated all decisions were agreed with no vote against.

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

30 MINUTES OF THE MEETING

The minutes of the meeting of the Committee held on 24 April 2019 were agreed as a correct record and signed by the Chairman.

31 TREASURY MANAGEMENT ANNUAL REPORT 2018/19

Investment income for the year was £2m compared to a budget of £1.5m. It was also noted that the Authority's weighted average return outperformed that of the treasury adviser's London Local Authority Group and that the Council had operated during 2018/19 within the treasury limits and prudential indicators set out in the Strategy. Any credit losses from the introduction of International Financial Reporting Standard 9 were not material as the Authority's investments were placed with highly credit worthy institutions and Local Authorities.

Officers would check if the downgrading of Rabobank had been applied by all three credit reference agencies.

The Committee noted the report.

32 **ANNUAL STATEMENT OF ACCOUNTS 2018/19 AND EXTERNAL AUDIT REPORT TO THOSE CHARGED WITH GOVERNANCE (ISO 260)**

Annual Statement of Accounts

The report presented showed the changes between the accounts on 31 May 2019 and the current position. If the Committee was content with accounts, it was proposed to sign off the accounts in the week commencing 16 September 2019. The initial version of the accounts had been published on-line by 31 May in line with Government requirements.

A total of 12 adjustments had been made to the accounts, including 10 revaluation adjustments, impact on the actuary estimate due to the McLeod judgement and an adjustment for the Council bad debt provision.

The Statement of Accounts showed that the Council had a usable reserve of £219m and an unusable reserve arising from valuation changes etc of £435m. The unusable reserve figure had fallen by £100m due to changes in the pension fund valuation and £25m due to the property valuation.

It was noted that the total income and expenditure figure quoted of £125m was an accounting figure rather than the actual budgeted costs and that liabilities with actuaries had increased. A review of the pension fund that was currently in progress would decide if the Council was making sufficient contributions to the fund. It was also noted that the pension account was a separate entity to the main accounts.

Officers agreed that there needed to be better communication between regeneration and finance regarding the treatment of issues such as demolished assets. As regards school valuations, the accounts indicated that £51m of the £125m reduction had been due to schools converting to Academy status. It was suggested that work on valuations could be completed at an earlier stage, without needing to wait for the closure of accounts. There were now fewer differences in the valuation methodologies used by the Council and the external auditors.

It was noted that the reference in the 'Property, Plant & Equipment' section of the report to the length of the Queen's Theatre lease was incorrect and this would be amended to read 12 years.

It was **agreed** that a report on planning for next year's audit should be brought to the January 2020 meeting of the Committee.

External Audit Report

The only change in the scope of the audit had been to update the materiality assessment from £8.6m to £10.2m. There were still some areas of the audit to complete the journals and reserves areas of the accounts still required testing. It was also noted that it was difficult for the auditor to produce transaction level listings and this process would be streamlined for next year's audit.

The deadline of 13 September for submission of the Whole of Government (WGA) report would not be met but the Council was only required to e-mail a confirmation of this and would not be penalised. Some 40% of local government audits had not

been completed by 31 July, compared to 13% the previous year. The external auditor representative explained that delays were due principally to a loss of staff and recruitment difficulties. This was an issue across the auditing profession due to reductions in fees and further staff had been lost since the Committee had previously raised this issue. It was emphasised that the external auditors would not sign off the accounts until the necessary assurance could be given to the Committee.

Key risks identified in the audit included assessing fraud or error regarding the incorrect capitalisation of revenue expenditure but there were no concerns regarding the additions to property, plant and equipment. There had also not been any errors identified in the pension liability valuation. Work on the group financial statement was still to be concluded. An unqualified report of the audit was being proposed.

There were no risks to value for money issues and the auditors were happy with the Council's response to issues re property, plant and equipment that had been identified in the audit. An additional fee would be proposed by the auditors and the Chief Operating Officer would update the Committee on this.

Pension Fund Audit

The testing of investments on the pension fund audit was now complete and there were no further issues. There remained a small number of areas to complete as regards to disclosure testing. A small number of audit differences had also been corrected, none of which were significant.

There had not been any risks identified re fraud and error. Changes in the valuation of complex investments had been correctly reflected in the accounts. The draft audit report was expected to be unqualified. No independence issues had been identified re the pension work and no additional fee was proposed. Any final adjustments would be reflected in the version of the report that was due to be signed off on 16 September.

The Committee:

- a) **Considered the contents of the report and the Statement of Accounts (Appendix A to the report) , alongside the "External Audit Report to those charged with Governance" (Appendix B to the report) and the verbal updates by the External Auditor under that agenda item, following their examination of the Council's accounts.**
- b) **Noted that the audited accounts must be published at the earliest opportunity following the audit.**
- c) **Noted the amendments to the accounts arising from the audit of the accounts set out at section 1 of the Report.**
- d) **Approved the Statement of Accounts for the financial year ended 31st March 2019, having regard for the auditor's Report, subject to final sign off in the week commencing 16 September 2019.**
- e) **Agreed that the Chair of the Committee, in consultation with the Chief Operating Officer (Statutory Chief Finance Officer) be delegated to**

approve any subsequent amendments to the Statement of Accounts that may be necessary as a result of audit completion procedures.

- f) Approved the Letter of Representation (Appendix C to the report) subject to final sign-off in the week commencing 16 September 2019.**

33 ASSURANCE END OF YEAR REPORT

Officers explained that there were currently around 40 open fraud cases. An update on current joint fraud and audit work was requested to be given at the next meeting of the Committee. Some tasks on the systems audit list had been cancelled in order to avoid duplication if e.g. peer reviews were in progress from which similar assurance could be taken. These areas would continue to be monitored in any case.

The response to risk related to the GDPR Regulations was considered to be satisfactory and it was confirmed that an Assurance Board had been established. A wider review of the Direct Payments system was also in progress. A new social care IT system would give fuller reports once testing etc had been completed. Progress on the current procurement audit would be reported to a future meeting of the Committee.

It was agreed that future reports would show quarter dates and a list of completed audits.

The Committee noted the assurance end of year report.

Chairman