

MINUTES OF AUDIT AND ETHICS COMMITTEE

13 SEPTEMBER 2016

PRESENT:

Members of the Committee: Mr P Dudfield (Chairman), Councillors Mrs Crane, Mistry and Roodhouse

Officers: Mannie Ketley (Head of Corporate Resources and Chief Financial Officer), Chris Green (Corporate Assurance and Improvement Manager), Chris Blundell (Financial Services Manager), Karen Hillman (Legal Officer) and Linn Ashmore (Democratic Services Officer)

In attendance: John Gregory (Director – Grant Thornton) and Paul Harvey (Assistant Manager – Grant Thornton)

9. MINUTES

The minutes of the meeting held on 28 June 2016 were approved and signed by the Chairman.

10. APOLOGIES

Apologies for absence from the meeting were received from John Eves (Vice Chairman).

11. APPROVAL OF ACCOUNTS FOR 2015/16

The committee considered the report on the Approval of Accounts for 2015/16 presented by the Head of Corporate Resources and Chief Financial Officer and the Financial Services Manager (Part 1 – agenda Item 4).

The main change to previous reports was the inclusion of a narrative report which was a useful introduction containing contextual information on the function of the Council on a finance and performance basis.

During discussion the following points were raised:

Pensions were a risk but the Warwickshire Pension Fund Strategy had around 18-19 years to run and was working. Figures constantly fluctuated based on market conditions and a range of other factors but the risk should be viewed as a long term one. There was confidence that over the remainder of the strategy period the deficit would be cleared. The employers' contribution had seen an annual rise by 0.7% in recent years and a similar increase was expected again.

There was an improvement in the Balance Sheet with a few significant gains on the pension liability and the valuation of heritage assets.

The committee commented that the new style and layout of the Statement of Accounts was more readable and would be more appealing and better for the public.

RESOLVED THAT – IT BE RECOMMENDED TO COUNCIL THAT the Statement of Accounts for 2015/16 be approved.

12. AUDIT FINDINGS REPORT

The committee considered the Audit Findings Report presented by Grant Thornton (Part 1 – agenda Item 5).

Grant Thornton reported that the audit had gone well and there were no significant matters to report to the committee.

One large adjustment had been made to remove £9,543,000 of overhead recharges which should not have been included in the accounts and treated as transfer of expenditure. This was an internal account matter only and had no impact on the Council's net expenditure, balance sheet or reserves.

No significant risks were identified in respect of the valuation of the pension fund net liability.

Two significant risks were identified within the Value for Money conclusion but it was found that the Council had proper controls in place and this was not a matter of concern.

There was no change to the audit fee.

Points raised during discussion included:

One future pressure identified as part of the formal budget setting process, which was due to begin again in October, was the progress of the senior management structure.

There were no risks highlighted regarding the Housing Revenue Account in relation to the audit of the Statement of Accounts.

The financial position around the Council's housing stock could be viewed as a concern. At the time the stock was acquired the Council decided to borrow £72m to pay off the debt based on assumptions about the future of the housing service. Since that time there have been a lot of legislative changes including Pay-to-Stay and Welfare Reform and the financial climate has changed. As part of addressing the issue it would require the same level of efficiency drive as in the General Fund. There were however other options too, including re-financing the debt instead of continuing to pay it off and more details would be communicated over the coming months.

RESOLVED THAT – the report be noted.

13. MANAGEMENT LETTER OF REPRESENTATION

The committee considered the report on the Management of Representation presented by Grant Thornton (Part 1 – agenda Item 6).

RESOLVED THAT –

- (1) Grant Thornton be thanked for their attendance at the meeting and for their work producing the audit;
- (2) the Head of Resources and Chief Finance Officer and the Financial Services Team be thanked for their work on preparing the accounts; and
- (3) the Management Letter of Representation be approved.

14. INTERNAL AUDIT IMPROVEMENT PLAN – PROGRESS UPDATE

The committee considered the Internal Audit Improvement Plan progress report presented by Corporate Assurance and Improvement Manager (Part 1 – agenda Item 7).

RESOLVED THAT –

- (1) the Internal Audit Improvement Plan and Progress Update be noted; and
- (2) the updated Internal Audit Charter be approved.

15. 2016/17 INTERNAL AUDIT PLAN – UPDATE

The committee considered the 2016/17 Internal Audit Plan progress report presented by the Corporate Assurance and Improvement Manager (Part 1 – agenda Item 8).

Following approval of the Council's new Anti-Fraud, Bribery and Corruption Strategy, an exercise has been conducted to evaluate the Council's exposure to these risks. It was noted that a draft Fraud Response/Action Plan would be presented to the committee at its meeting in November 2016 for consideration.

So far the work had been encouraging with few further actions identified.

Two resource neutral amendments to the Internal Audit Plan were recommended:

- Integrated Housing Repairs – remove and defer the audit until the first quarter of 2017/18, with work to be carried out by the in house Corporate Assurance and Improvement Team during 2016/17 in an advisory capacity
- Tenant Recharges – remove and defer the audit until the first quarter of 2017/18
- Housing Repairs Stock Control – add to the internal audit plan for 2016/17

RESOLVED THAT – the proposed amendments to the Internal Audit Plan for 2016/17 be approved.

16. MOTION TO EXCLUDE THE PUBLIC UNDER SECTION 100(A)(4) OF THE LOCAL GOVERNMENT ACT 1972

RESOLVED THAT – under Section 100(A) (4) of the Local Government Act 1972 the public be excluded from the meeting for the following items on the grounds that they involved the likely disclosure of information defined in paragraphs 1 and 2 of Schedule 12A of the Act.

17. WHISTLE BLOWING INCIDENTS – STANDING ITEM – TO RECEIVE ANY UPDATES

There were no issues to report.

18. FRAUD AND CORRUPTION ISSUES – STANDING ITEM – TO RECEIVE ANY UPDATES

The Corporate Assurance Manager gave members a verbal update on the outcome of an investigation held into a recent case.

RESOLVED THAT – the committee noted the update and were satisfied with the action taken by the Council.

CHAIRMAN