

Audit Committee

Meeting held 12 November 2015

PRESENT: Councillors Steve Jones (Chair), John Campbell, Tony Damms, Joe Otten (Deputy Chair) and Josie Paszek.

Co-opted Independent Members

Rick Plews and Liz Stanley.

Officers in attendance

John Mothersole (Chief Executive)
Eugene Walker (Acting Executive Director, Resources)
Kayleigh Inman (Senior Audit Manager, Internal Audit)
Dave Phillips (Interim Director of Finance)
Tim Cutler (Partner, KPMG)
Simon Dennis (Senior Manager, KPMG)
Gillian Duckworth (Director of Legal and Governance)
Dave Ross (Principal Committee Secretary)

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1. APOLOGIES FOR ABSENCE

1.1 An apology for absence was received from Councillor Dianne Hurst.

2. DECLARATIONS OF INTEREST

2.1 There were no declarations of interest.

3. MINUTES OF PREVIOUS MEETING

3.1 The minutes of the meeting of the Committee held on 24 September 2015 were approved as a correct.

Matter Arising

3.2 In response to a point raised by a member of the Committee on item 6 of the minutes (Internal Audit Annual Report 2014/15), the Senior Audit Manager, indicated that the section in the Internal Audit Charter on Independence and Objectivity would be amended to indicate that 'reports can also be made to the Chair and other members of the Committee, including Co-opted Members'.

4. ANNUAL AUDIT LETTER 2014/15

4.1 Simon Dennis, Senior Manager, KPMG, introduced the Annual Audit Letter 2014/15 that summarised the key findings from their audit of the Council's accounts for 2014/15. An unqualified opinion had been given on the financial statements and an unqualified value for money conclusion had been issued. The Letter set out the key headlines and the issues that had been previously reported

to the Council. Appendix 1 to the report summarised the reports that had been issued since the previous Annual Audit Letter.

4.2 The Interim Director of Finance welcomed the Letter which he considered was very positive.

4.3 The Chair of the Committee referred to the quality of the accounts, the unqualified value for money conclusion and that the risks were being addressed which provided assurance.

4.4 **Resolved:** That the Committee notes the Annual Audit Letter 2014/15.

5. PROPOSED AUDIT WORK PROGRAMME AND SCALE OF FEES FOR 2016/17

5.1 The Interim Director of Finance introduced a consultation document from Public Sector Audit Appointments Limited (PSAA) that set out the work that auditors will undertake at local government and police audited bodies during 2016/17, with the associated proposed scales of audit fees and indicative certification fees. The fees in 2016/17 would at the same level as in 2015/16. He highlighted that (a) the contracts had been extended in local government by one year to 2017/18, (b) KPMG had been successful in retaining the contracts in Yorkshire and Humberside and (c) the Audit Committee would be involved in the appointment of the external auditor when the contract ended in 2018.

5.2 Tim Cutler, Partner, KPMG, suggested the submission of a briefing paper on the auditor arrangements from 2018/19 to the next meeting of the Committee.

5.3 In response to questions from Members of the Committee, Tim Cutler indicated that (i) a decision on the future role of PSAA was to be determined, (ii) the Council would appoint its own auditors for 2018/19 by December 2017, (iii) KPMG would be the Council's auditors until the end of March 2018 and (iv) in relation to the changes on audit work for highways infrastructure assets, there would be a significant change in accounting practice.

5.4 **Resolved:** That the Committee notes:-

(A) the contents of the report;

(B) the fee level set for the audit in 2016/17 is £186,998 for the City Council and £22,500 for the Combined Authority and the extension of the contract until 2018; and

(C) that KPMG would submit a briefing paper to the next meeting of the Committee on the auditor arrangements from 2018/19.

6. SUMMARY OF INTERNAL AUDIT OUTPUT BY OPINION 2014/15

6.1 Further to the request at the meeting of the Committee on 24 September 2015, the Senior Audit Manager (Internal Audit), introduced a report containing a list of the audit reports by opinion issued in 2014/15, a breakdown of the planned audits

that were deferred as part of the September 2014 mid-year review and the additional work that was added to the 2014/15 Internal Audit Plan.

- 6.2 Officers responded to questions from members of the Committee. On the issue of whether all the Council's functions were included in the list of audits, the Senior Audit Manager stated that the 'audit universe' was a schedule of all the areas that can be covered and this was refreshed annually and continued to grow. This took account of the risk register and items considered by Cabinet.
- 6.3 The Acting Executive Director, Resources indicated that the audit planning process was about targeting resources at the right activities and functions. When audit reports highlighted issues this reinforced that the right activities were being examined.
- 6.4 Members of the Committee suggested the inclusion of further information on the headlines from the medium high audits, possibly to include themes and that the Committee should be informed where there was a lack of response from a service to a follow-up audit.
- 6.5 **Resolved:** That the Committee:-
- (a) notes the report; and
 - (b) requests the Senior Audit Manager (Internal Audit) to (i) provide further information to the Committee on the headlines from the Medium High Audit Opinions, possibly to include themes and (ii) inform the Committee where there was a lack of a response from a service to Internal Audit follow-up reports.

7. EXCLUSION OF PUBLIC AND PRESS

- 7.1 **Resolved:** That the public and press be excluded from the meeting before discussion takes place on the following item of business on Strategic Risk Management on the grounds that, if the public and press were present during the transaction of such business, there would be a disclosure to them of exempt information as described in paragraph 3 of Schedule 12A to the Local Government Act 1972, as amended.

8. STRATEGIC RISK MANAGEMENT

- 8.1 The Corporate Risk Manager submitted a report and gave a presentation that assessed:
- the Council's current Risk Management arrangements and the measures being implemented to further strengthen and improve those arrangements;
 - the Risk Management trend analysis since the previous report to the Committee on 28 April 2015;
 - the current and emerging risks to delivery of the Council's strategic objectives

and the controls in place to manage those risks.

- 8.2 The Corporate Risk Manager, Chief Executive and Acting Executive Director Resources responded to questions from members of the Committee on the risk trend analysis and welfare reform and (a) indicated that consideration was being given to providing more meaningful information in the risk trend analysis and (b) explained how the overall number of risks reported were dealt with at a service level. The Interim Director of Finance indicated that consideration was being given to making future reports to the Committee on risk management open rather closed.
- 8.3 The Chair thanked the Corporate Risk Manager for his presentation, noted those risks that were under close scrutiny and considered that that the number of risks that were reducing was good news.
- 8.4 **Resolved:** That the Committee notes:-
- (i) the current assessment of the Council's Risk Management arrangements and endorses the measures being taken to strengthen those arrangements;
 - (ii) the improving trend in the management of risks;
 - (iii) the current and emerging risks and endorse the actions being taken to mitigate those risks; and
 - (iv) that consideration was being given to future reports to the Committee on risk management being open reports.

9. WORK PROGRAMME

- 9.1 The Director of Legal and Governance (a) submitted a report providing details of the Committee's work programme to April 2016, (b) referred to the two additional items agreed earlier in the meeting and (c) suggested that as there were no areas of non-compliance identified in the Annual Governance Statement, a progress report was not required for the January meeting of the Committee.
- 9.2 Tim Cutler, Partner, KPMG, suggested that Committee's Terms of Reference should be refreshed to remove reference to the Audit Commission on the appointment of the external auditor.
- 9.3 **Resolved:** That the Committee:-
- (i) approves the work programme with the addition of a briefing paper on the audit arrangements from 2018/19 and a report with further information on the headlines from the Internal Audit Medium High opinions for the January meeting of the Committee; and
 - (ii) requests the Director of Legal and Governance to update the Committee's Terms of Reference with regard to reference to the Audit Commission that closed in March 2015.

10. DATES OF FUTURE MEETINGS

10.1 It was noted that the meetings of the Committee would be held at 5.00 p.m. on:-

- 10 December 2015 (additional meeting if required)
- 14 January 2016
- 11 February 2016 (additional meeting if required)
- 10 March 2016 (additional meeting if required)
- 14 April 2016
- 14 July 2016

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