

## **AUDIT COMMITTEE**

**MONDAY 30 JULY 2018 AT 10.00 AM**

**PRESENT:** Councillor Bomford (Chairman), Councillors Bainbridge, Carrigan, Higgs, Mrs Mallinson, Patrick and Sidgwick (S)

**ALSO**

**PRESENT:** Councillor Dr Tickner, Deputy Leader and Finance, Governance and Resources Portfolio Holder (until 10.35am)  
Engagement Lead (Grant Thornton)  
Engagement Manager (Grant Thornton)

**OFFICERS:** Legal Services Manager  
Chief Finance Officer  
Deputy Chief Finance Officer and Designated Head of Internal Audit

### **AUC.42/18 APOLOGY FOR ABSENCE**

No apologies for absence had been submitted.

### **AUC.43/18 DECLARATIONS OF INTEREST**

There were no declarations of interest affecting the business to be transacted at the meeting.

### **AUC.44/18 PUBLIC AND PRESS**

RESOLVED – That the Agenda be agreed as circulated.

### **AUC.45/18 EXTERNAL AUDIT FINDINGS FOR CARLISLE CITY COUNCIL 2017/18**

The Engagement Lead (Grant Thornton) presented a report summarising the key issues arising from Grant Thornton's statutory audit of the City Council's financial statements for the year ended 31 March 2018.

The Engagement Lead was pleased to inform Members that overall the position was very positive. Their findings and audit adjustments were summarised in Appendix C. One error had been identified in the financial statements, which had resulted in a £2.413m adjustment to the Statement of Comprehensive Income and Expenditure (CIES). That error had reduced both income and expenditure, which had no net impact on the Council's surplus. That also required a prior period adjustment to the 2016/17 CIES. Other audit adjustments were detailed in Appendix C; recommendations for management as a result of the audit work in Appendix A; and follow-up recommendations from the prior year's audit detailed in Appendix B.

Subject to outstanding queries being resolved, Grant Thornton planned to issue an unqualified audit opinion on the financial statements with no material primary statement misstatements identified.

In addition, Grant Thornton was satisfied that in all significant respects, the City Council had put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources for the year ended 31 March 2018.

Attention was further drawn to page 7 of the document pack which detailed the additional powers and duties for local government auditors. Grant Thornton had not required to exercise those statutory functions.

The Engagement Lead reported that the draft financial statements and accompanying working papers had been received well in advance of the 2018 statutory deadline. Prompt responses had also been provided in respect of queries raised. He wished to convey thanks to the authority and, in particular, to the Chief Finance Officer and the Deputy Chief Finance Officer for what had been a fantastic achievement and a significant step forward.

The Engagement Manager provided an overview of the key audit and financial reporting issues as detailed within the report. He drew attention to the key issues arising from the audit and explained the significant audit risks, reasonably possible audit risks and the going concern assumptions.

The Engagement Manager also highlighted the Value for Money key findings and explained that based on the review of the arrangements in place during 2017/18 for the compilation of the Medium Term Financial Plan (MTFP) including identified savings, Grant Thornton concluded that the overall risk was sufficiently mitigated and the Council had proper arrangements in this area. He explained that the Minimum Revenue Provision (MRP) savings included in the MTFP had been reviewed in 2017/18 but the provisions included for 2018/19 would be subject to further work during the year to understand whether they were justified.

The Deputy Chief Finance Officer also welcomed the very positive audit and reciprocated thanks to Grant Thornton for the good working relationship which was in place.

Discussion arose, during which the following observations / questions were raised:

- A Member asked officers to expand on the MRP.

The Deputy Chief Finance Officer responded that the MRP review had been undertaken two years ago by Link Asset Services and the Council had included savings options identified from that report in the MTFP. Officers were confident in the accounting treatment.

- Were Grant Thornton confident with the calculation?

The Engagement Manager confirmed that Grant Thornton were confident with the calculation however further work on the 2018/19 adjustment would be required.

- A Member asked for more detail on the control based methodology and the impact the changes would have on audit.

The Engagement Lead confirmed that Grant Thornton had always used control based methodology however moving forward more reliance would be placed on these which should improve efficiencies and reduce workload with Grant Thornton and Financial Services.

- It was recommended that the Committee forward the Action Plan to the Business and Transformation Scrutiny Panel to inform their scrutiny of the budget.
- What steps were being taken to ensure the authority had a sufficient budget for unknown costs or emergencies?

The Chief Finance Officer explained that the General Fund Reserve included £1m for emergency expenditure and this had been in place for several years. She assured Members that there were provisions in place to access the money in an emergency. As part of the review of the MTFP it was proposed that the Reserve was increased to £3.3m as the position with regard to Business Rate Retention and the future funding of the authority was uncertain. She reassured Members that the proposed increase would not negatively impact on services.

- Would there be any issues or conflicts if Grant Thornton began tendering for other business with the authority whilst acting as authority's auditors?

The Engagement Lead assured Members that Grant Thornton had to abide by strict ethical standards and were proud of the robust arrangements that were in place. While Grant Thornton were able to tender to provide other financial services to the authority they would be subject to the same procurement procedures as all other businesses.

- Which assets had not been included in the valuation instructions.

The Deputy Chief Finance Officer responded that St James Pavilion (£25,000) and a Home Share Property (£51,000) had not been included. The assets had been classified as different asset types on the Property atabase and the Asset register. This had been corrected and both assets had been recorded correctly.

The Portfolio Holder, on behalf of the Executive, thanked the Financial Services Team and officers for their excellent work and he thanked Grant Thornton for their detailed work and support.

RESOLVED – That the Audit Committee:

(1) Note and receive the very positive External Audit Findings Report for the year ended 31 March 2018.

(2) Welcome the unqualified opinion on both the Financial Statements and the Value for Money conclusion.

(3) Forward the Action Plan to the Business and Transformation Scrutiny Panel to inform their scrutiny of the budget.

(4) Recognise the good work undertaken by the Financial Services Team and officers, and the success in achieving the statutory close down. The Committee was also most appreciative of the contribution of the Engagement Lead and the Engagement Manager (Grant Thornton).

#### **AUC.46/18      STATEMENT OF ACCOUNTS 2017/18**

The Deputy Chief Finance Officer submitted report RD.17/18 presenting the Council's Statement of Accounts 2017/18 which had been subject to a two month audit process, (commencing in June and with a statutory deadline date of 31 July 2018).

The Audit was substantially complete with the Auditor's Audit Findings Report (ISA260) having been considered earlier in the meeting. That report anticipated providing the Council with an unqualified opinion on both the Accounts and the VFM conclusion. It also detailed any issues found during the course of the audit process, and any amendments required to the Accounts which must be reported and approved by Members of the Audit Committee.

There were six recommendations made by the Auditor relating to the disclosure issues raised in the Audit Findings Report (ISA260). The completed Action Plan would be reviewed and closely monitored during 2018/19.

The Deputy Chief Finance Officer concluded by requesting that the Audit Committee approve the 2017/18 Statement of Accounts, noting that also included the audited Annual Governance Statement.

RESOLVED – (1) That the Audit Committee approve the 2017/18 Statement of Accounts, noting that also included the Annual Governance Statement.

(2) That the 6 recommendations from the audit of the 2017/18 financial statements should continue to be monitored and an update be presented to the Committee in January 2019.

#### **AUC.47/18      LETTER OF REPRESENTATION 2017/18**

The Deputy Chief Finance Officer reported (RD.16/18) that the audit of the Statement of Accounts for 2017/18 was substantially complete with the Auditors' Audit Findings Report (ISA260) having been considered earlier in the meeting. Following approval of that report, the Auditors would issue their formal opinion and the audit process for 2017/18 would be complete.

In accordance with Auditing Standards, a Letter of Representation (a copy of which was appended to the report) must also be considered and approved by the Audit Committee prior to the Audit Opinion being provided. Once approved by the Committee it would be signed by the Chief Finance Officer on behalf of the City Council.

Members were asked to approve the Letter of Representation 2017/18.

RESOLVED – (1) That the Audit Committee approve the Letter of Representation for 2017/18.

(2) That the Chief Finance Officer be authorised to sign the same on behalf of the Council.

[The meeting ended at 10.50am]