

MINUTES

of the

AUDIT COMMITTEE

held on 20 March 2019 at 2pm

Present:

Councillor M.D. Watson (Chairman)

Councillors

J.E. Chandler, C. Garrett, I. Grundy, G.B.R. Knight, R.A. Ride and S.J. Robinson

1. Apologies for Absence and Substitutions

Apologies for absence were received from Councillors A. Chambers and J. Galley. Councillor I. Grundy was appointed as the substitute for Councillor Galley.

2. Minutes

The minutes of the meeting held on 12 December 2018 were agreed as a correct record and signed by the Chairman.

3. Public Question Time

No Public Questions were asked, or statements made.

4. Declaration of Interests

All Members were reminded to declare any Disclosable Pecuniary interests or other registerable interests where appropriate in any items of business on the meeting's agenda.

None were made.

5. Announcements

No announcements were made.

6. Annual Audit Plan 2018/19

The Committee considered a report presenting the Annual Audit Plan 2018/19 written by BDO, which summarised their assessment of the key risks which drove development of their effective audit for Chelmsford City Council. It also outlined BDO's planned audit strategy in response to those risks.

Members were asked to refer to the section of the report detailing the scope and materiality aspects of the Audit Plan. It was noted that the scope of the Audit was determined by the NAO's Code of Audit Practice. Members were also referred to the section detailing the fees charged which had been set by the PSAA scale fee. It was also noted that any amendments to the proposed fees would be discussed if required. Members were also informed of the Audit timeline which demonstrated the key dates across the 2018/19 Audit. The Committee also noted the five key risks detailed in the report.

The External Auditors confirmed to the Committee that the Digital Transformation Project had been identified as a use of resources audit risk. It was noted that a number of weaknesses had been identified by the predecessor auditor.

In response to a question from a Member, BDO confirmed that they had been granted access by the predecessor auditor to their files, but they were not able to make or retain copies of the information.

RESOLVED that the content of the Annual Audit Plan 2018/19 be noted.

(2.01pm to 2.15pm)

7. **Digital Programme Budget**

The Chairman informed the Committee that he had discussed the report with the Director of Corporate Services. It was noted that the requested report was not yet ready and that just supplying the figures without context would not have been beneficial for the Committee. The Chairman informed the Committee that a complete report was going to be presented at the next meeting in June. It was also noted that the delay would allow the consultants work to be considered at the same time, therefore presenting a much wider picture to the Committee in June.

Members of the Committee raised concerns regarding the lack of an update. Members asked why clarification on the costs had not been provided, that the position seemed to be the same as a while back, and whether the information on specific costs was actually available.

In response to the concerns raised, the Director of Finance stated that a future report would present in a clearer format the position of the project and where money had been spent. It was also noted that the consultants report would also be available in June which would provide further information and clarification for members.

A Member of the Committee stated that there did not seem to be anything measurable that was being provided to the Committee. It was noted that each meeting had a similar report which didn't provide meaningful financial information for the Committee to consider. It was noted that a report was requested, detailing the initial project objectives, identifying spend to date with subheadings and explaining what had been achieved from the expenditure. This report should be taken to June Audit committee even if the consultants had not finished their work.

The Chairman stated that the relevant Director and Cabinet Member would be attending the June meeting.

RESOLVED that the report be noted.

(2.16 pm to 2.25 pm)

8. **Revenue Budget Monitoring**

The Committee considered a report on the Council's revenue budgets, comparing the latest spending and income forecast by Directors as at end of February 2019 with the original budget for 2018/19, as amended by approved variations, and setting out the corrective action proposed where appropriate.

The Committee noted that at the end of February 2019 there was a projected overspend for the year of £144k. It was noted that there had been an overspend in Housing Services, but this had been due to previous changes still being implemented. It was also noted that it had been difficult to set an accurate budget for leisure due to the Riverside redevelopment but that significant improvements had been built into next year's budget. The Committee were informed of other variations and these were detailed to them for each service area.

In response to questions from the Committee it was confirmed that;

- Void periods in reletting houses were due to various issues including having to re decorate and clean properties ready for new tenants. It was noted that as CHP were now organising this, their expertise should lead to shorter void periods.
- Issues regarding rent collection were difficult to resolve due to expensive rent rates but that a debt recovery expert had recently joined the team to assist with this.
- The adverse variance on the Riverside budget was due to the difficulty in estimating how customers would respond to rebuilding the Leisure centre.
- The vacancy rate was between 2 to 3% depending on service area.
- A further report would be provided on progress in Housing Services at the June meeting.

RESOLVED that;

1. the report be noted and;
2. a further report on progress within Housing Services be provided to the June meeting.

(2.26 pm to 2.40 pm)

9. **Draft Internal Audit Plan 2019/20**

The Committee considered a report which outlined the proposed audit coverage for the year 2019/20. It was noted that the Audit Plan was risk based and had been discussed and agreed with Management Team and the Chairman of Audit Committee in February. The Committee heard that the plan had taken into account new staffing arrangements in the team along with sections of work continuing to be completed by PWC. It was noted that the help from PWC was particularly beneficial due to their specialist knowledge in certain areas.

In response to questions from the Committee it was confirmed that;

- the Riverside redevelopment was included in the planned Audit for Capital Expenditure Review
- a comprehensive audit of the GDPR implementation would be taking place and it was confirmed that further staff training had been taking place recently.
- The system for spending S106 funds would be looked at during the year to ensure that all received funds were used correctly and that the amount of funds returned to developers was minimised.

RESOLVED that the report be noted.

(2.41 pm to 2.48 pm)

10. **Internal Audit Charter 2019**

The Committee considered a report which updated members on the Internal Audit Charter for 2019. The Committee heard that there had not been any material changes to the 2019 document. In response to a question from a Member it was stated that liaison with the appropriate Cabinet Member in relation to audit work would be explored.

RESOLVED that;

1. the report be noted and;
2. liaison with the appropriate Cabinet Member in relation to audit work be explored.

(2.49 pm to 2.50 pm)

11. **Risk Management Update**

The Committee received a report which summarised the progress and outcomes from the Risk Management Refresh project so far in 2019. The Committee was informed that work had been going well so far and that a new risk template was being produced which would be detailed at the next meeting. It was also noted that work had taken place with the Digital Services Manager regarding the Council's forthcoming Cyber Risk Management Strategy.

RESOLVED that the report be noted.

(2.51pm to 2.53pm)

12. **Annual Investigations Report**

The Committee received a report which provided an update on the work of the Investigation Team in 2018/19. The Committee was informed about the work of the Council's Senior Financial Investigation Officer and provided with a summary of his role. The Committee heard that the report highlighted the past year of work and detailed the collaborative work with other local authorities that had been taking place. The Committee was informed that various costs had been received due to the work of the team and that percentages of funds claimed back for other authorities was received by the Council.

The Committee stated that the positive work of the team needed to be highlighted. The Committee agreed that there was a positive income stream from the work which needed to be promoted.

RESOLVED that the report be noted.

(2.54pm to 3.03pm)

13. **Accounting Policies for the 2018/19 Statement of Accounts**

The Committee received a report updating them on the accounting policies set to be used in the preparation of the 2018/19 Statement of Accounts.

RESOLVED that the accounting policies to be used in the preparation of the accounts be approved.

(3.04pm to 3.06pm)

14. **Review of Training Topics and Rolling Programme of Work**

The Committee considered a report regarding training for its members and the updated proposed rolling programme of work.

RESOLVED that;

1. the report be noted and;
2. reports on Digital Transformation and progress with Housing Services be added to the June 2019 meeting.

(3.06pm to 3.07pm)

15. **Urgent Business**

There were no matters of urgent business brought before the Committee.

The meeting closed at 3.07pm.

Chairman