

NEWARK AND SHERWOOD DISTRICT COUNCIL

Minutes of the Meeting of **Audit & Accounts Committee** held in the Civic Suite, Castle House, Great North Road, Newark, Notts, NG24 1BY on Wednesday, 25 April 2018 at 10.00 am.

PRESENT: Councillor Mrs S Michael (Chairman)

Councillor B Crowe, Councillor P Handley, Councillor D Payne and
Councillor B Wells

APOLOGIES FOR ABSENCE: None

37 DECLARATIONS OF INTEREST BY MEMBERS AND OFFICERS AND AS TO THE PARTY WHIP

That no Member or Officer declared any interest pursuant to any statutory requirement in any matter discussed or voted upon at the meeting.

38 DECLARATION OF ANY INTENTIONS TO RECORD THE MEETING

Other than the Council's usual practice of recording the meeting, there were no declarations of intention to record the meeting.

39 MINUTES OF THE PREVIOUS MEETING

That the Minutes of the meeting held on 7 February 2018 be approved as a correct record and signed by the Chairman.

The Business Manager- Financial Services, informed the Committee, in relation to the Counter Fraud Activity Report, in Minute 27- a total of £26,000 of Council Tax discount had been cancelled and re-raised as Council Tax. He was not aware of any prosecutions.

40 STATEMENT OF ACCOUNTING POLICIES

The Assistant Business Manager presented the Councils Accounting Policies in relation to the closedown of the 2017/18 financial year. The policies would be applied to the treatment of all transactions that make up the figures in the Statement of Accounts to ensure the accounts present a true and fair view of the financial position of the Council as at 31 March 2018. The 2017/2018 Statement of Accounts would be prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18 which was based on International Financial Reporting Standards.

Members noted that the Policy for Overheads and Support Services had been removed as the Central Support notion was no longer required for the Statement of Accounts.

AGREED (unanimously) that Members approve the amended Statement of Accounting Policies for 2017/2018.

41 IAS19 UNDERLYING PENSION ASSUMPTIONS AND UNDERLYING VALUATION ASSUMPTIONS FOR 2017/18 STATEMENT OF ACCOUNTS

The Chairman agreed to take items 6 and 7 together as they both dealt with Assumptions made to inform the Statement of Account 2017/18.

The Assistant Business Manager- Financial Services presented the Committee with information regarding the assumptions made by the pension fund actuary in calculating the IAS 19 (International Accounting Standard 19 - Employee Benefits) figures to be reported in the 2017/18 Statement of Accounts.

To calculate the cost of earned benefits for inclusion in the Statement of Accounts, the scheme actuaries used certain assumptions to reflect expected future events which may affect the cost. The assumptions used should lead to the best estimate of the future cash flows that will arise under the scheme liabilities. The Council would use the calculated costs and the underlying assumptions, based upon the advice of the actuary of the Nottinghamshire County Council Pension Fund, Barnett Waddingham, and the administering authority (Nottinghamshire County Council), in preparing the annual Statement of Accounts.

AGREED (unanimously) that Members note and approve the assumptions used in the calculation of pension figures for 2017/2018.

The Assistant Business Manager- Financial Services also provided Members with information regarding the assumptions made by the Valuers in calculating the figures to be reported in the 2017/18 Statement of Accounts, as per the revaluation model approach taken by the Council under IAS 16 (International Accounting Standard 16 – Property, Plant and Equipment). During 2017/18 the assets that had been revalued were

- Dukeries Leisure Centre;
- Castle House and car/lorry parking;
- Kelham Hall;
- Workshops and shops;
- Investment properties;
- Council Depots;
- Local Housing Office; and
- All Council Dwellings.

As this financial year was a full revaluation of the Councils dwelling assets our normal chartered surveyors, Herbert Button and Partners, didn't have the resources to carry out the large scale valuation required. Therefore the Council also appointed Wilks Head & Eve to carry out the large scale valuation on the Council Dwellings. The reports were attached for Members.

AGREED (unanimously) that Members note and approve the assumptions used in the calculation of asset valuation figures for 2017/2018.

42 INTERNAL AUDIT PROGRESS REPORT 2017/18

The Principle Auditor presented the Internal Audit Progress report as at 31 March 2018. Six reports had been issues during the period: Information Governance with High Assurance; Car Parks, Performance Management (partial), Income/Banking arrangements and Visitors Centre, all with Substantial Assurance; and finally with Limited Assurance, ICT Operations- Starters and Leavers and Performance Management (partial).

Members heard details of those audits at draft stage and those that had been delayed but were due to be at draft stage by the end of April. Members also considered the detail of those audit recommendations that had been extended. The Committee were in general agreement that work on Audit Recommendations should be a priority for Business Managers, and that where recommendations had been extended, the Business Manager of the relevant area should be requested to attend the meeting. The Committee agreed that the Chairman of the Committee with the Business Manager- Financial Services should agree which Business Managers should be invited to the Committee meeting once the agenda for the meeting had been published.

AGREED (unanimously) that the Audit and Accounts Committee consider and comment upon the latest internal audit progress report.

43 COUNTER-FRAUD ACTIVITY REPORT

The Business Manager- Financial Services presented a report detailing counter fraud activity from 1 November 2017 to 31 March 2018. He informed the Committee that since the Council had started referring cases to the Fraud and Error Services on 1 December 2015, 91 potentially fraudulent cases has been referred, and 7 cases had been sanctioned in the Newark and Sherwood Area.

A Fraud Risk workshop, facilitated by Assurance Lincolnshire had been held during February resulting in a refreshed Fraud Risk Register. The Anti-Fraud and Corruption Strategy was refreshed during this period and was ratified at the Council meeting on 13th February 2018.

AGREED (unanimously) that the content of the report be noted.

44 EXTERNAL AUDIT PLAN FOR 2017/18 ACCOUNTS

John Cornett- Director (KPMG) was in attendance to present the Annual External Audit Plan 2017/18. The Plan detailed the Financial Statements and Value for Money Conclusion. The deadline for the production and signing of the financial statements had been significantly advanced in comparison to the year ended 31 March 2017 and as a result this had been recognised as a significant risk in relation to this matter. Other significant risks highlighted were the valuation of PPE and pension liabilities due to the assumptions made to calculate these. Other areas of focus were Business Rate Appeals and Prior Period Adjustment to take account of an asset that had been transferred to the Council in 2015 but not included on the Asset Register. The Audit fee for 2017/18 was £48, 329.00.

The Business Manager- Financial Services explained that the accounts were on track to be ready by the new deadline. The Council had used an external company to ascertain the risk of Business Rates Appeals. There were none as yet but the Council had a 'threat list' and were working to the assumptions based on this.

AGREED (unanimously) that the Council notes the External Audit Plan.

45 FRAUD RISK ASSESSMENT

The Business Manager- Financial Services presented a report detailing the results of a Fraud Risk Assessment undertaken in February 2018. All services provided by the Council had been reviewed to see where any new areas of fraud might occur and any new controls that had been put in place. Eighteen areas of the Council activities were considered to be at risk, with an additional four sub categories: seven were medium risk, and fifteen low risk. The only change had been to change NNDR from green to amber risk due to the national increase in business rate avoidance tactics. Actions to mitigate risks were also detailed in the report.

The Committee considered the report and it was confirmed that representatives from Newark and Sherwood Homes had been at the review session. They had noted three cases of subletting during 2016/17 and relevant procedures were in place.

AGREED (unanimously) that the report be noted.

46 AUDIT COMMITTEE WORK PROGRAMME

The Committee noted the Work Programme. The Business Manager- Financial Services confirmed that the Annual Audit report would go to Committee in July.

The Committee also noted the suggestion from Internal Audit to include on the work programme the Audit Committee self-assessment to consider the effectiveness of the Committee.

Meeting closed at 10.45 am.

Chairman