



Rutland County Council

Catmose Oakham Rutland LE15 6HP.

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Minutes of the **MEETING of the AUDIT AND RISK COMMITTEE** held in the Catmose on Tuesday, 19th September, 2017 at 7.00 pm

PRESENT: Miss G Waller Mr J Lammie
Miss R Burkitt Mr G Conde
Mrs J Fox Mr I Arnold
Mr G Brown (substitute for Mr N Begy)

APOLOGIES: Mr N Begy

OFFICERS PRESENT: Mr Saverio Della Rocca Assistant Director (Finance)
Mr Andrew Merry Finance Manager
Mrs Kelly Epps Internal Audit Manager
Mrs Kim Cross Corporate Support Officer

OTHER ATTENDEES: Mr T Mathias Leader and Portfolio Holder for Finance and Growth, Infrastructure and Resources (highways, transport and market towns)
Mr T Crawley KPMG

280 MINUTES

The minutes of the Audit and Risk Committee held on 11 July 2017 and the special meeting held on 30 August 2017 were confirmed and signed by the Chairman.

281 MATTERS ARISING

There were no matters arising.

282 DECLARATIONS OF INTEREST

There were no Declarations of Interest in respect of items on the agenda.

283 PETITIONS, DEPUTATIONS AND QUESTIONS

No Petitions, Deputations or Questions had been received from members of the public.

284 QUESTIONS FROM MEMBERS

There were no questions received from Members.

285 NOTICES OF MOTION

There were no notices of motion received from Members.

286 STATEMENT OF ACCOUNTS 2016/17

Report No. 157/2017 was received from Mr Della Rocca. The report presented the statutory Statement of Accounts (SoA) 2016/17 in the form prescribed by regulation (Appendix A) to meet the statutory requirement for the Council to approve and publish its annual statement of accounts by 30 September 2017.

During discussion the following points were noted:

- a) No requests were received from the public to view or comment on the accounts by either the Council or the Auditors.
- b) Members were reminded that these accounts were for the 2016/17 year not the current year..
- c) Note 32. Contingent Liabilities referred to an ongoing compensation claim. Since the draft statements were published the Council had agreed to settle the claim and payment would be made in September 2017. In accounting terms, the change in circumstances means that the Statement of Accounts could be adjusted to reflect the latest position. The Assistant Director – Finance proposed not to amend the Statement of Accounts principally on the grounds of materiality but that the settlement of this case would be shown in the 2017/18 management and statutory accounts. The Committee agreed this position and noted the issue on a list of uncorrected misstatements to be attached to the Management Representation letter.

RESOLVED

The Committee **APPROVED** the Statement of Accounts for 2016/17 at Appendix A including the Annual Governance Statement.

287 EXTERNAL AUDITORS REPORT

Report No. 178/2017 was received from Mr Della Rocca. The external auditors report to those charged with governance was appended to this report. The report informed the Committee on matters arising from the audit of the financial statements and the results of the work undertaken to assess the Council's arrangements to secure value for money in its use of resources.

During discussion the following points were noted:

- a) Publication date for the 2017/18 financial statements had been brought forward from 30 September to 31 July 2018.
- b) A revised Appendix A - Letter of Representation which listed the uncorrected misstatements was circulated for approval by the Committee.

RESOLVED

- I. The Committee **RECEIVED** the External Auditors Report and **CONSIDERED** any issues arising; and
- II. **APPROVED** the revised letter of representation (attached) which was signed by the Chair of the Committee and the S151 Officer (Assistance Director – Finance).
- III. The Committee **DELEGATED** power to the S151 Officer and Chairman to sign the accounts in the event that there were further minor adjustments due to external circumstances.

APPENDIX A - REVISED LETTER OF REPRESENTATION

288 ANNUAL FRAUD REPORT 2016/17

Report No. 161/2017 was received from Mr Della Rocca. The report provided an overview of any fraud related activity, which had affected Rutland County Council during the period 2016/17. The report also sought to provide assurance regarding the Council's resilience against the risk of fraud. The report was provided in accordance with the Committee's Terms of Reference to provide assurance of the adequacy of the risk management framework and control environment.

During discussion the following points were noted:

- a) Mr Della Rocca confirmed the risks were reviewed regularly and those with review dates of the end of August had been reviewed since the report was created.
- b) Members sought clarification that robust controls/audits were in place surrounding the external hosting of the Agresso system. Mr Della Rocca confirmed the Council received quarterly assurance statements which were periodically reviewed.
- c) Mr Merry confirmed that the Council did carry out payroll functions for the parishes and that any changes were notified from the chairman of the parish with signed minutes to support the change.

RESOLVED

- I. The Committee **ENDORSED** the content of the annual fraud report; and
- II. **NOTED** the arrangements in place to mitigate the risk of fraud against Rutland County Council.

289 INTERNAL AUDIT UPDATE

Report No. 177/2017 was received from Mrs Epps. The purpose of the report was to update Members on the progress made in delivering the 2017/18 Annual Audit Plan and outcomes from audit assignments completed since the last Committee meeting.

During discussion the following points were noted:

- a) Members requested the Annual Audit Plan recommendations table be separated by directorate.

RESOLVED

The Committee **NOTED** the Internal Audit Update report (Appendix A)

290 REGULATION OF INVESTIGATORY POWERS ACT 2000 (RIPA) UPDATE

Mr Della Rocca confirmed there had been no use of the regulation of investigatory powers since the last committee meeting.

291 ANY OTHER URGENT BUSINESS

The Chair confirmed the next training session would take place before the meeting of the Committee in January at 6pm. The Committee agreed to take a further training session before the April Meeting on the subject of risk.

Invites for both of the training session in January and April would be extended to all Council Members.

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The Chairman declared the meeting closed at 8.35 pm.

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Tony Crawley
Director
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NG1 6FQ

21/09/2017

Dear Tony

LETTER OF REPRESENTATION

This representation letter is provided in connection with your audit of the financial statements of Rutland County Council (“the Authority”), for the year ended 31 March 2017, for the purpose of expressing an opinion:

- i. as to whether these financial statements give a true and fair view of the financial position of the Authority as at 31 March 2017 and of the Authority’s expenditure and income for the year then ended; and
- ii. whether the financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

These financial statements comprise the Expenditure and Funding Analysis, the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund and the related notes (including the Expenditure and Funding Analysis).

The Authority confirms that the representations it makes in this letter are in accordance with the definitions set out in the Appendix to this letter.

The Authority confirms that, to the best of its knowledge and belief, having made such inquiries as it considered necessary for the purpose of appropriately informing itself:

Financial statements

1. The Authority has fulfilled its responsibilities, as set out in the Accounts and Audit Regulations 2015, for the preparation of financial statements that:

- i. give a true and fair view of the financial position of the Authority as at 31 March 2017 and of the Authority's expenditure and income for the year then ended;
- ii. have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

The financial statements have been prepared on a going concern basis.

2. Measurement methods and significant assumptions used by the Authority in making accounting estimates, including those measured at fair value, are reasonable.
3. All events subsequent to the date of the financial statements and for which IAS 10 *Events after the reporting period* requires adjustment or disclosure have been adjusted or disclosed.
4. The effects of uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to this representation letter.

Information provided

5. The Authority has provided you with:
 - access to all information of which it is aware, that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
 - additional information that you have requested from the Authority for the purpose of the audit; and
 - unrestricted access to persons within the Authority from whom you determined it necessary to obtain audit evidence.
6. All transactions have been recorded in the accounting records and are reflected in the financial statements.
7. The Authority confirms the following:
 - i) The Authority has disclosed to you the results of its assessment of the risk that the financial statements may be materially misstated as a result of fraud.

Included in the Appendix to this letter are the definitions of fraud, including misstatements arising from fraudulent financial reporting and from misappropriation of assets.

- ii) The Authority has disclosed to you all information in relation to:

- a) Fraud or suspected fraud that it is aware of and that affects the Authority and involves:
 - management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial statements; and
- b) allegations of fraud, or suspected fraud, affecting the Authority's financial statements communicated by employees, former employees, analysts, regulators or others.

In respect of the above, the Authority acknowledges its responsibility for such internal control as it determines necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In particular, the Authority acknowledges its responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

8. The Authority has disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
9. The Authority has disclosed to you and has appropriately accounted for and/or disclosed in the financial statements, in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

There are no:

- Other liabilities that are required to be recognised and no other contingent assets or contingent liabilities that are required to be disclosed in the financial statements in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, including liabilities or contingent liabilities arising from illegal or possible illegal acts; or
 - Other environmental matters that may have an impact on the financial statements.
10. The Authority has disclosed to you the identity of the Authority's related parties and all the related party relationships and transactions of which it is aware. All related party relationships and transactions have been appropriately accounted for and disclosed in accordance with IAS 24 *Related Party Disclosures*.

Included in the Appendix to this letter are the definitions of both a related party and a related party transaction as we understand them as defined in IAS 24 and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

11. The Authority confirms that:

- a) The financial statements disclose all of the key risk factors, assumptions made and uncertainties surrounding the Authority's ability to continue as a going concern as required to provide a true and fair view.
- b) Any uncertainties disclosed are not considered to be material and therefore do not cast significant doubt on the ability of the Authority to continue as a going concern.

12. On the basis of the process established by the Authority and having made appropriate enquiries, the Authority is satisfied that the actuarial assumptions underlying the valuation of defined benefit obligations are consistent with its knowledge of the business and are in accordance with the requirements of IAS 19 (Revised) Employee Benefits.

The Authority further confirms that:

- a) all significant retirement benefits, including any arrangements that are:
 - statutory, contractual or implicit in the employer's actions;
 - arise in the UK and the Republic of Ireland or overseas;
 - funded or unfunded; and
 - approved or unapproved,

have been identified and properly accounted for; and

- b) all plan amendments, curtailments and settlements have been identified and properly accounted for.

This letter was tabled and agreed at the meeting of the Audit and Risk Committee on 19th September 2017.

Yours sincerely,

Mr S Della Rocca
Assistant Director (Finance) – Section 151 Officer

Ms G Waller
Chair of Audit and Risk Committee

List of the Uncorrected Misstatements

Note 32 (Contingent Liabilities) to the draft Statement of Accounts refers to an ongoing compensation claim regarding an outline planning permission renewed by the Council in December 1996. Since the draft Statements were published the Council has agreed to settle this claim and a payment of £500,000 is expected to be made to the claimant in September 2017. The draft Statements do not reflect this liability and the misstatements are as follows:

Cr Balance Sheet Provisions £500,000
Dr CIES - Cost of Services Expenditure £500,000

This misstatement is below the £1.3m materiality threshold set by KPMG for the external audit, but above their 'trivial' reporting threshold of £70,000 (Appendix 3 of the 2016/17 ISA260 report).

Management does not propose to amend the Statement of Accounts for this item as they do not, amongst other things:

- regard it as material in value; and
- believe it would have a significant impact on the reader of the accounts view of the Statements as a whole or the Council's financial position.

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