

**Minutes of the meeting of the Audit and Standards Committee
held on 7 December 2017**

Present

Members:

Councillors Mark Cargill, Andy Crump, Bill Gifford, John Holland and Jill Simpson-Vince

Independent Members:

Bob Meacham OBE

Officers:

John Betts, Head of Finance

Sarah Duxbury, Head of Law and Governance

Paul Spencer, Senior Democratic Services Officer

Garry Rollason, Chief Risk and Assurance Manager

External Representatives:

Grant Patterson, Grant Thornton – Auditors

1. General

(1) Appointment of Chair for the Meeting

In the absence of the permanent Chair, it was agreed that Mr Bob Meacham OBE be appointed chair for the meeting.

(2) Apology

An apology for absence had been received from Mr John Bridgeman CBE (Chair)

(3) Members' Disclosures of Pecuniary and Non-Pecuniary Interests

Councillor Jill Simpson-Vince declared a non-pecuniary interest as a member of the Local Pension Board.

Councillor Andy Crump declared a non-pecuniary interest as a member of the Local Government Pension Scheme.

Councillor Bill Gifford declared a non-pecuniary interest due to a previous involvement in an organisation referred to in the exempt minutes of this meeting.

(4) Minutes of the meeting of the Audit and Standards Committee held on 6 September 2017 and Matters Arising

It was agreed that the minutes be signed by the Chair as a true record, subject to the alteration of minute number 1(2) to reflect that Councillor Simpson-Vince had declared a non-pecuniary interest as a member of the Local Pension Board, not Councillor Cargill. As a matter arising, it was noted

that an insurance briefing would be provided to the Committee early in the new year.

2. External Auditors Annual Audit Letter

Grant Patterson of Grant Thornton Auditors introduced the annual audit letter. This communicated the key issues arising from the auditors' work relating to the 2016/17 annual audit, along with a brief update on any issues since the last report to the Committee in September 2017.

Mr Patterson took members through the audit letter, confirming that an unqualified opinion had been given in respect of the financial statements and there was satisfaction in terms of the value for money conclusion. He reported that objections had been received for two areas and outlined the process that would be completed to respond to those objections. A further update on this aspect would be provided to the next Committee meeting.

Mr Patterson spoke about the risks identified through the audit process, referring particularly to the valuation of property, plant and equipment. The County Council's approach was a rolling five-yearly revaluation of assets, which was considered a significant estimate. However, it was concluded that this did not impact on the opinion on the financial statements. John Betts confirmed this was a difficult aspect where a judgement had to be made on the costs of more frequent revaluation against the audit recommendations. He spoke also about the reporting arrangements which were tailored to reflect the documents provided to members throughout the year.

Mr Patterson referred to the appendix on reports issued and fees. In terms of future activity, he urged a continued focus on the financial position and the Council's One Organisational Plan.

Members asked the following questions and commented on the audit letter, with responses provided as indicated:

- Further explanation was provided regarding the non-audit services and how fees accrued for assurance requests. This was a growing area for work with colleges and not for profit organisations.
- Members explored the identified risk area on the valuation of property, plant and equipment, receiving further assurance that the potential movement in asset valuations was unlikely to be material. The audit process looked at materiality from both a qualitative and quantitative approach, effectively to determine if people reading the valuations could be misled, which was not the case.
- The need for certain 'line by line' reporting in accordance with the 2016/17 Chartered Institute of Finance and Accountancy code of practice was similarly not considered to have had an impact on the audit opinion on the financial statements. The need for such line by line reporting was not deemed proportionate in this case. The provision of a more general statement and context could be more helpful for most readers of the documents.
- The period of time required for resolving objections and associated costs were discussed. It was anticipated that the objections reported would be resolved by the end of the month.

- The County Council had joined the Border to Coast pension fund. The implications for the audit process and associated fees were questioned. There were not likely to be any significant changes for the current year. From an audit perspective it was a matter of assurance and risk, with the investment management approach being reviewed. Overall, it should make the audit process more efficient and reduced fees were likely, in the main due to the retendering of the external audit services. John Betts added that the County Council was both an investor and shareholder in the pension pool, so it had influence and could receive required information for both governance and audit purposes. There were cheaper costs from the revised pension fund arrangements, but also less flexibility on investment decisions. Related to this members discussed ethical and responsible investment and the guidance available to trustees of pension funds. Grant Patterson offered to supply further information for circulation to the Committee. Similarly, an information sheet had been prepared for members by the Council's officers and could be recirculated.

Resolved:

That the Committee notes the report.

3. External Auditors Progress and Update Report

Grant Patterson gave a verbal update to the Committee. The planning process was underway for the 2017/18 audit work. The accounts would be concluded earlier for the year ahead, being submitted to members for approval at both Council and this Committee in late July 2018. It would not be possible for the Committee to have sight of the accounts at its May meeting, so Mr Patterson urged members to review the documents as soon as they were available. There may be some difficulty for Grant Thornton in achieving their deadline for publication by 13 July. Much of the audit work would also be brought forward. Key areas of focus for the year ahead were valuation of property, plant and equipment, the ongoing liabilities relating to pensions and a focus on employer and operating expenditure. A further update would be provided to the next meeting of the Committee.

Resolved

That the Committee notes the update.

4. Work Programme and Future Meeting Dates

A copy of the updated work programme and future meeting dates had been circulated. It was proposed that the next meeting be moved to 29 March 2018, but this may need to be reviewed due to the potential unavailability of Grant Patterson. This would be confirmed shortly. Officers were aware of some additional areas for report to members at the May meeting, which concerned an external assessment and the previously requested annual report of the Committee.

5. Any Other Urgent Business

None.

6. Report Containing Confidential or Exempt Information

Resolved

That members of the public be excluded from the meeting for the item mentioned below on the grounds that their presence would involve the disclosure of exempt information as defined in paragraph 3 of Schedule 12A of Part 1 of the Local Government Act 1972.

7. Internal Audit Progress Report

The Committee reviewed a report detailing recent internal audit work.

The Committee rose at 11.15 a.m.

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Chair