

Minutes of the meeting of the Audit and Standards Committee held on 29 November 2018

Present

Members:

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

Independent Members:

John Bridgeman CBE (Chair)
Bob Meacham OBE

Officers:

Vicki Barnard, Group Manager (Corporate Finance)
Sarah Duxbury, Assistant Director of Governance and Policy
Tom McColgan, Senior Democratic Services Officer
Garry Rollason, Internal Audit and Insurance Manager

External Representatives:

Jim McLarnon, Grant Thornton – Auditors
Grant Patterson, Grant Thornton – Auditors

1. General

(1) Apologies

John Betts, Assistant Director Finance and ICT also sent his apologies for the meeting.

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

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

Councillor Gifford declared a non-pecuniary interest as a member of the Pension Fund Investment Sub-Committee. Councillor Gifford also declared that his children had attended Trinity School and it was in his division.

(3) Minutes of the meeting of the Audit and Standards Committee held on 25 July 2018 and Matters Arising

It was noted that Bob Meacham's apologies for the meeting had not been recorded in the minutes.

In response to the Chair, the Assistant Director of Governance and Policy confirmed that all outstanding cases which had been identified as not having had appropriate pre-employment checks had now been cleared.

It was agreed that the minutes be signed by the Chair as a true record.

2. Reports 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.

3. Internal Audit Progress Report

This item is exempt

4. External Auditor's Annual Audit Letter 2017/18

Grant Patterson, Grant Thornton – Auditors introduced the Annual Audit Letter which looked to close down the audit of the 2017/18 accounts. Grant Patterson stated that there were two outstanding objections to the 2015/16 accounts which he was in the process of responding to. Once he had responded to them the objectors then had the right to challenge the response. There is also an objection to the 2017/18 accounts which he hopes to progress early in the New Year. Grant Paterson drew the Committee's attention to the information relating to the Teachers Pension Claim contained in the letter which had not been included in Grant Thornton's previous report.

In response to the Chair, Grant Patterson stated that he proposed to bring a paper to a future committee meeting detailing the objections to the account which had been received. He stated that he had already made some recommendations to the Council drawn from the objections which had been implemented. Grant Patterson also stated that his understanding was that the objections and all relevant correspondence had to be presented to Committee with the names of the objectors redacted and in closed session.

The Assistant Director of Governance and Policy confirmed that any personal details relating to the objector would usually be redacted from any papers seen by the Committee.

In response to Councillor Crump, Grant Patterson stated that a resident could object to any sum in the annual accounts. It was open to an external auditor to reject an objection if it was a repeat of a previous objection or vexatious. An objection could also be closed at stage 1 if there was no suggestion of an underlying issue with governance arrangements.

Councillor Gifford stated that in some cases complaining about the Council's Accounts could be a way of raising more personal issue with the County Council. He asked whether more could be done to engage with individuals before they put in complaints recognising the costs involved in dealing with formal objections to the accounts.

Grant Patterson responded that he was aware that the Council had sought to engage with individuals but once an objection had been lodged with the auditors they had little discretion on whether it would be investigated.

In response to Bob Meacham, Jim McLarnon, Grant Thornton – Auditors stated that the level at which materiality was set differed between sectors and types of organisations. In the Private Sector income would be used as the benchmark against which materiality was set whereas in the Public Sector materiality was set with regard to spending. This was because there was a greater risk of managers in the Private Sector overstating income whereas Public Sector focus was more centred on expenditure.

Grant Patterson stated that he made reference to the International Auditing and Assurance Standards Board's guidance when setting materiality. Public Sector organisations for which Grant Thornton served as an auditor generally had a materiality of 1-2% of the organisation's gross revenue expenditure. Grant Patterson stated that he set the materiality level and felt that 1.8% of the County Council's gross revenue expenditure or £14.351million struck the right balance between transparency and the efficiency of the audit. The materiality level could be lowered if there were governance issues which warranted it. Materiality had previously been set at 2% but had been lowered to 1.8% in recent years as a reflection of the difficulties faced by the sector as a whole and not due to any particular concerns regarding the Council's accounts.

Grant Patterson also clarified that materiality of the pension fund was benchmarked against the fund's net assets and was set at 1% of the fund's net assets or £19.838million.

In response to Councillor Gifford, Grant Patterson stated that there was no formal benchmarking for Council finance but the Chartered Institute of Public Finance and Accountancy was in the process of consulting on an Index of Resilience. Grant Patterson stated that in his opinion Warwickshire was performing well having made 90% of the saving targets it had set. He stated that the role of the external auditors was to focus on ensuring an organisation had robust internal reporting mechanisms and that it was delivering the plans it set itself rather than look at the service level implications of the plans. Grant Thornton did look at sector wide challenges such as social care or special educational needs spend and would question how the Council was managing these.

Councillor Horner stated that the press often reported bankruptcy as a sudden event as was the case with the reporting around Northamptonshire County Council. Councillor Horner asked if the External Auditors would have seen the warning signs in these organisations and if issues would have been highlighted to senior officers or through their Audit Committee.

Grant Patterson responded that he would expect an auditor to bring any areas of concern to the attention of the Section 151 Officer. If an auditor felt that the organisation was not taking suitable action following issues being identified they then had a number of tools at their disposal including issuing a statutory notice. Grant Patterson stated that he would be concerned if the Council was recording a large amount of revenue expenditure as capitalised costs or using capital flexibility in an inappropriate way. Failing to meet saving plans if there was no acknowledgement of lessons learnt from the organisation was also a warning sign auditors should address with senior officers.

4.13 Resolved: That the Committee noted the Annual Audit Letter of the External Auditors including whether any executive action was required.

5. External Auditors' Progress Report

Jim McLarnon, Grant Thornton – Auditors introduced the report as the new manager for the Council's accounts and pension fund. The report showed the work towards closing the 2017/18 accounts and early planning for the 2018/19 audit including early testing due to take place in the New Year and an anticipated timetable.

In response to the Chair, Grant Patterson stated that Grant Thornton were not planning an overall evaluation of Section 106 monies as the objection the Chair had referenced referred to a specific sum. Vicki Barnard added that there was an internal audit of capital monitoring which included a strand looking at Section 106.

In response to Councillor Gifford, Grant Patterson stated that the Council's Internal Audit Team were very proactive and tended to bring any issues they found to the attention of the external auditors early.

In response to the Chair, Grant Patterson confirmed that Grant Thornton had been awarded the contract to serve as the Council's external auditors for the next 5 years by Public Sector Audit Appointments.

5.5 **Resolved:** That the Committee noted the External Auditors' Progress Report

6. Work Programme and Future Meeting Dates

To consider items for the committee's work programme and future meeting dates to be held in Shire Hall at 10:00 a.m. as follows:

- 28 March 2019
- 23 May 2019
- 24 July 2019

7. Any Other Business

None

The Committee rose at 11:05 am

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Chair