

## **AUDIT AND STANDARDS COMMITTEE**

Monday, 29th July, 2019  
Time of Commencement: 7.00 pm

<b>Present:-</b>	Councillor Paul Waring – in the Chair
Councillors	S. Pickup, M. Stubbs, G. Burnett, B. Panter, K.Owen and S. Moffat
Officers	Geoff Durham - Mayor's Secretary / Member Support Officer, Jan Willis - Interim Executive Director - Resources and Support Services and Craig Turner - Principal Accountant
Also in Attendance	Mr Phil Butters – University of Keele Mr Phil Jones – Grant Thornton Mrs Claire Potts – Stoke on Trent City Council

### **1. APOLOGIES**

Apologies were received from Councillor Dymond.

### **2. DECLARATIONS OF INTEREST**

There were no declarations of interest stated.

### **3. MINUTES OF PREVIOUS MEETING**

**Resolved:** That the minutes of the meeting held on 24 June, 2019 be agreed as a correct record subject to Councillor Panter's apologies being recorded.

### **4. EXTERNAL AUDIT OF 2018/19 ACCOUNTS**

Consideration was given to a report updating Members on the progress of the external audit of the accounts for the 2018/19 financial year.

Phil Jones of Grant Thornton introduced the draft Audit Findings Report, drawing Members' attention to page 9 of the agenda with the title 'Headlines' which set the context for this years' audit. There had been a lot of staff changes at Newcastle during the past year and, due to scrutiny from the regulator a lot more focus had been put onto pensions and property, plant and equipment valuations than in previous years.

The audit risks set out on pages 11 to 13 of the agenda impacted upon every local authority. This included the McCloud judgement handed down by the court of Appeal last month which has required the Council to increase the net pensions liability recorded in its accounts

Other significant audit issues included the classification of the Ryecroft site which would need to be adjusted as it was still held as an operational asset. The presence of asbestos within the former Civic Offices would also affect the valuation.

The J2 building valuation figure would also need amending due to Spons issuing incorrect data. Members were advised that this issue also affected 38 other assets which would also need to be revalued, although the amendments would not affect the bottom line.

Councillor Stubbs asked whether the retirement of a key financial officer and lack of resources within the finance team had contributed to the delay in completing the audit and if so why this problem was not foreseen.

The Interim Director of Resources and Support Services explained that the retirement of the previous Head of Finance had been anticipated and a detailed handover of duties and responsibilities had taken place. However, he left with a lot of experience and information in his head, which could never be totally be passed on. Phil Jones added that it was unfortunate that his retirement coincided with a particularly complex set of accounting issues and a number of external developments which created "the perfect audit storm" this year.

Looking to the future his departure presented an opportunity to do things differently. The Council had looked at introducing a computerised Asset Management system to streamline the PPE valuation process but the shorter statutory deadline meant there had not been time to do it. However, it would be a priority to have this in place for next year.

Members were advised that a full time Head of Finance position had just been advertised internally.

Councillor Pickup asked if the valuations of assets had been wrong in previous years.

Members were advised that the revaluations had been wrong this year because Spons had issued incorrect data. However, this did not affect prior year valuations.

Councillor Stubbs enquired about the Auditors suggestion of a £2m amendment to the accounts in connection to the Ryecroft site. Members were advised that the Revaluation reserve would be adjusted to take this into account. It was a non-cash Balance Sheet transaction which did not affect the revenue account

Mr Jones advised Members that no problem areas had been identified in the accounts and that subject to no further issues coming to light when the outstanding work detailed in the report was completed he expected to be able to issue an unqualified opinion on the accounts themselves and an unqualified value for money opinion

Councillor Stubbs enquired about the financial sustainability of the Council asking what had been done, in addition to the budget to ensure that the Council was not at risk of intervention as had happened with some local authorities.

The Interim Executive Director of Resources and Support Services responded that balances and reserves had been increased from £1.3m to £1.548m and a number of long standing structural issues had been dealt with in setting this years budget.

- Resolved:**
- (i) That the progress of the external audit of the accounts for The financial year 2018/19 be noted.
  - (ii) That the Chair of the Committee be given delegated

authority to sign the final audited accounts on completion of the audit.

**5. INTERNAL AUDIT ANNUAL REPORT 2018/19**

The Head of Internal Audit at Stoke on Trent City Council, Claire Potts introduced a report providing details of the Internal Audit activity for 2018-19. A copy of the report was appended at page 11 of the agenda

Members were advised that a total of 54 audit recommendations had been made during the year and there were currently seven audits in progress.

Councillor Stubbs asked if the two 'high risks' that were identified within the report had been resolved.

Jan Willis confirmed that the audit recommendations had been implemented.

Councillor Pickup asked what the 5 audits were that were not required, as outlined in table 4 of the report.

Claire Potts did not have this information to hand but would circulate a list to Members after the meeting.

Councillor Panter asked if future reports could include a glossary of the abbreviations used. This was noted.

**Resolved:** That, the Internal Audit Annual Report for 2018/19 be noted.

**6. URGENT BUSINESS**

There was no Urgent Business.

**COUNCILLOR PAUL WARING**  
**Chair**

Meeting concluded at 8.00 pm