

AUDIT AND STANDARDS COMMITTEE

Monday, 23rd September, 2019
Time of Commencement: 7.00 pm

- Present:** Councillor Paul Waring (Chair)
- Councillors:** S. Dymond M. Stubbs K.Owen
S. Pickup G. Burnett
B. Panter
- Officers:** Geoff Durham Mayor's Secretary / Member Support Officer
Simon Sowerby Business Improvement Manager
Jan Willis Interim Executive Director - Resources and
Support Services and Section 151 Officer
Martin Hamilton Chief Executive
Craig Turner Principal Accountant
Sarah Wilkes Finance Manager
- Also in attendance:** Phil Butters – Keele University
Paul Harvey – Grant Thornton
Grant Pattison – Grant Thornton
Councillor Sweeney – Portfolio Holder for Finance and Efficiency

1. APOLOGIES

Apologies were received from Ms Clare Potts – Stoke on Trent City Council.

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 29 July, 2019 be agreed as a correct record.

4. MATTERS ARISING FROM THE MINUTES

Under item 5 of the Minutes. Councillor Pickup had asked which five audits were not required. As outlined in Table 4. The Chair had a list of the items which would be circulated to Members.

5. LOCAL GOVERNMENT OMBUDSMAN ANNUAL REVIEW LETTER

Consideration was given to a report informing Members of the Council's performance in relation to complaints made to the Local Government Ombudsman for the year ended 31 March, 2019.

Members' attention was drawn to paragraph 2.3 of the report which outlined the number of decisions had increased from 18 in 2017-18 to 20 this year. However, none of these complaints had been upheld.

Members were also referred to the letter from the Ombudsman that was appended to the report.

Resolved: That the report be received.

6. **CORPORATE RISK MANAGEMENT REPORT FOR THE PERIOD APRIL TO JUNE 2019 (QUARTER 1 (Q1))**

Consideration was given to a report informing Members of the progress made by the Council in enhancing and embedding risk management for the period April to June, 2019.

Members were advised that there were no overdue risk reviews. There had been 7 risk level increases and these were shown at numbers 1 and 2 of the appendix

There had been 22 new risks added. The majority of these were low level.

Members' attention was drawn to the risks outlined at Appendix A.

Councillor Stubbs asked where the three new medium/high risks had come from.

The Council's Business Improvement Manager, Simon Sowerby that these had arisen from problems encountered at Castle House; failure of the air conditioning and an interruption of the power supply. Members were advised that these issues were being monitored.

Councillor Stubbs asked if the County Council were putting things in place and whether the building was still under warranty.

The Council's Interim Director of Resources and Support Services, Jan Willis explained that issues had been uncovered with power fluctuations and the harmonics of the building. Investigations were being carried out to pinpoint the source and it was thought that the source had now been found. The issues had been added to the risk register because of the time that had been taken to locate the source and engaging with the County Council to find a resolution. It would be the responsibility of Kier and the sub-contractors to fix the problem.

Councillor Stubbs asked that when a resolution was found and fixed, - that it be reported back to this Committee. The Chair asked Mr Sowerby that he give an update at the next meeting.

Phil Butters raised concerns about risks staying at level 9 on a recurring basis and asked whether an assessment was needed as to how they were calculated. Mr Butters asked if this could be reviewed in more detail at a future meeting.

Mr Butters also referred to the risk relating to Newcastle Bus Station (number 1) in that it appeared to have been resolved. Mr Butters asked how a risk that had been realised was signalled.

The Chair stated that, in the past there had been more detail on how risks were calculated. Mr Sowerby was asked to do a worked example for Members and to make the example a high risk or controversial one.

Councillor Pickup asked what the fire risk occurrences were, shown at number 7 of the appendix. Mr Sowerby stated that these had possibly been down to aerosol cans or batteries at the Council Depot. He would check this.

Councillor Pickup also enquired about risk '16' and the failure to replace key staff and what the current position was as the target date was October.

The Council's Chief Executive, Martin Hamilton stated that the Council was in the midst of recruiting key staff at the moment. The situation had been mitigated in the short term by bringing in interim members of staff.

Councillor Stubbs stated that he understood that the mitigation was required but this had been at a huge cost.

- Resolved:**
- (i) That point 2.1.1 showing the number of overdue risks be noted.
 - (ii) **That point 2.2.1 advising of the risk level increases be noted.**
 - (iii) **That point 2.2.2 regarding the new risks identified between April to June 2019 be noted.**
 - (iv) **That it be noted that there were no issues outstanding from the previous meeting.**
 - (v) **That it be noted that the updated Risk Management Strategy and Policy have been uploaded to the website and intranet.**
 - (vi) **That it be noted that an upgraded web based version of the corporate risk management system (GRACE) has been implemented.**
 - (vii) That Appendix A be noted and the progress that has been made in managing the risks identified within the Strategic, Operational, Project and Partnership Risk Registers, be noted.

7. AUDITED ACCOUNTS FOR 2018/19

Consideration was given to a report to receive the final accounts and audit findings report for the financial year 2018/19.

Jan Willis introduced the report stating that the accounts had been certified and the external auditors had given an unqualified opinion on the financial statements and the Council's Value For Money arrangements.

The accounts had already been signed by the Chair under delegated authority and the Committee were now being asked to formally receive them.

Councillor Stubbs enquired about the fee summarised at 9.1 of the covering report and was advised by the Chair that this was covered under an item later in the meeting.

Members' attention was drawn to paragraph 2.1 of the report which outlined key issues that had contributed to the delay in completing the audit.

- Resolved:**
- (i) That the final accounts for the financial year 2018/19, be received.
 - (ii) That the audit findings report for the financial year 2018/19 be received.
 - (iii) That the additional fee estimate of £20,000 in respect of additional audit work arising from national and local issues be noted.

8. **ANNUAL AUDIT LETTER**

Mr Grant Pattison of Grant Thornton introduced the report which summarised the completed work of the previous year.

Grant Thornton were satisfied that the Council had adequate resources in place and no concerns had been raised in this regard.

The 'McCloud' judgement had been a national issue and all local authorities needed to change their accounts as the net pension liability had moved. However, this would have no impact on Council Tax or the General Fund.

The former Civic Offices had previously been listed as an operational asset which should have been listed as surplus.

The Spons indices - had been incorrect and this had impacted on the valuation of J2 and a number of other properties. Grant Thornton had to take advice from their own valuation team which had contributed to the additional fee request.

Members' attention was drawn to pages - 83 and 84 of the agenda which outlined two Value for Money risks and to appendices A and B – the Reports Issued and fees and the Recommendations and Action Plan.

Councillor Pickup asked if there would be any redress or compensation in respect of the Spons issue.

Jan Willis advised that the Council could attempt to sue but chances would be low for a successful outcome.

Councillor Stubbs stated that this was a key document that all local authorities relied upon. Councillor Stubbs suggested that a cross-action approach from every local authority should be undertaken.

Councillor Pickup referred to paragraph 2.4 on page 39 of the agenda and asked if Members could see the 'lessons learned'.

Jan Willis undertook to report back to the Committee on the key learning points.

Councillor Stubbs queried the additional £20,000 that related to the Statutory audit.

Members were advised that this had been due to additional audit work arising from national and local issues. It was noted that the local issues were in no way related to the retirement of the former Head of Finance.

Councillor Stubbs also queried the fee of £9,000 as shown on page 85 of the report. Members were advised that non-audit services includes areas such as Housing Benefit. For transparency reasons Grant Thornton were required to disclose any non-audit services in the annual audit letter.

Councillor Stubbs asked about the reduction in the valuation of the assets and whether the adjustments to the accounts should be reviewed by Scrutiny. Grant Thornton advised that the Auditors had issued their opinion and therefore the audit could not be reopened. There was no impact upon the bottom line or resources available to the Council and therefore further review would be of limited utility.

Councillor Stubbs asked for a short note setting out the accounting adjustments.

It was agreed that Jan Willis would produce a note and circulate it to Members.

Resolved: That the Annual Audit Letter be received.

9. INTERNAL AUDIT PROGRESS REPORT - QUARTER ONE - 2019/20

Consideration was given to a report advising Members on the work undertaken by the Internal Audit Section during April and June, 2019.

Members' attention was drawn to paragraph 2 of the report showing completed audit reviews.

Resolved: That the information be received.

10. QUARTERLY REPORT: ADOPTION OF INTERNAL AUDIT HIGH RISK RECOMMENDATIONS AND SUMMARY OF ASSURANCE - APRIL TO JUNE, 2019

Consideration was given to a report outlining any high risk recommendations.

Members were advised that at the end of quarter one there were no outstanding high risk recommendations.

Members' attention was drawn to Appendix A which gave a summary,

Resolved: That the information be received.

11. URGENT BUSINESS

There was no Urgent Business.

Chair

Meeting concluded at 7.55 pm