

AUDIT COMMITTEE

WEDNESDAY, 24TH JULY, 2019

Present: **Councillors:**

**Cllr Nick Sharman in the Chair
Cllr Michelle Gregory (Vice-Chair),
Cllr Brian Bell, Cllr Clare Potter,
Cllr Patrick Spence, Cllr Yvonne Maxwell and
Cllr Harvey Odze**

**Officers: Ian Williams, Michael Honeysett and
James Newman**

Lucy Nutley – Mazars

1 Apologies for Absence

1.1 There were no apologies for absence

2 Declarations of Interest

2.1 Councillor Odze declared an interest in item 3 being a beneficiary of the Local Government Pensions Scheme.

2.2 Councillor Bell declared an interest in item 3, being a beneficiary of the Local Government Pensions Scheme

3 Financial Statements Audit 2018/19 - Annual Governance Report (Council and Pension Fund)

3.1 Ian Williams introduced the report, thanking the Councils' team and the external auditors who had worked constructively with officers in its preparation, creating a robust working relationship. It was anticipated that the main audit for both the Pension Fund and Council's main statements would be completed by the end of July, despite the implications of the McCloud judgment still being considered. Ian Williams confirmed that the Council's financial position continued to be robust.

3.2 Lucy Nutley referred to the good relationship and engagement between the External Auditors and officers of the Council. This had been the Company's first year as auditors for the Council and had been a learning experience. She reported the completion of audit work still required some further evidence but that this was expected to be cleared in good time to issue the opinion. The narrative for the annual governance statement may be amended, pending receipt of this and completion of the audit and this would be confirmed to the Chair.

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3.3 Lucy Nutley told the Committee that risks had been identified. She told the Committee that due to the high degree of estimation and uncertainty associated with the valuation of lands and buildings this was considered to be a significant risk. However, there were no significant findings arising from the review of property, plant and equipment valuation. The review of valuations in the year had identified an error in recording of valuations within the financial statements. This had been adjusted in the audited accounts.

3.4 The Chair emphasised that the Council was moving into increased development risk and that there was a need for it to consider how it valued property and asked what methodology was in place to ensure that this was addressed. Lucy Nutley told the Committee that the methodology would be taken from the CIPFA Code regarding market values.

3.5 Ian Williams told the Committee that discussions were underway on how to improve the presentation of the accounts. He reported closer working in teams on property valuation. He confirmed that regular valuations were carried out. Officers would consult with the auditors to ensure that they were content with the assumptions made. Discussions would be carried out more widely to ensure that matters are dealt with in a consistent way.

3.6 In relations to the defined benefit liability valuation, the review identified two matters:

- The impact of GMP equalisation may not be fully included in the LGPS annual IAS 19 valuations; and
- The impact of a legal case held during the year (known as the McCloud case), concerning potential age discrimination in relation to transition provisions as part of the pension reform measure, had not been included in any LGPS annual IAS 19 valuations. It was noted that this did not affect the Pensions Fund.

3.7 A review had been carried out into the proposed accounting treatment for the Nile Street, Tiger Way and Anthology developments and as appropriate for the 2018/19 financial statements, discussing the specific entries that would be required to reflect the substance of the transactions. In response to Councillor Gregory's question, Ian Williams confirmed that Nile Street was not over budget. The Chair stressed the need to have a better understanding of the companies involved in these developments. Ian Williams agreed to arrange a tour of Nile Street.

Action: Ian Williams

3.8 Lucy Nutley told the Committee that, in relation to the Anthology development, the developer had proposed to settle the final payment outstanding at 31 March, through the transfer of newly built flats to the Council to the value of the outstanding debt. Following Cabinet approval of the transaction, the developer had rescinded the offer and had subsequently settled the debt in cash.

3.9 Lucy Nutley reported that no questions or objections had been received in relation to the 2018/19 accounts. During the year, PSAA appointed Mazars LLP to undertake work on the objection raised in 2016 /17 relating to PFI. Work was ongoing on this and a provisional view would be issued.

3.10 The Chair referred to the good progress on value for money. Lucy Nutley told the Committee that in relation to Value for Money, steps were being taken to set up strategic groups and that more detailed information would become available on this. There was uncertainty around IG funding. Overall appropriate arrangements were in place.

3.11 It was noted that the draft auditor's report included in appendix B stated that the auditors intended to issue an unqualified Value for Money conclusion for the 2018/19 financial year.

3.12 The Chair referred to the inadequate ratings from the Care Quality Commission and Ofsted inspections and that detailed plans were now in place to improve performance in the areas identified. It was noted that this did not impact on the Auditor's overall value for money conclusion. Ian Williams confirmed to the Committee that it was likely that there would be an Ofsted inspection in the next six months and that the last inspection was in 2016. Inspections were carried out every three years.

RESOLVED:

To note the contents of the report.

4 Statement of Annual Accounts 2018/19

4.1 Michael Honeysett introduced the report presenting the accounts for 2018/19 for approval by the Audit Committee prior to the issue of the audit opinion by the external auditor. The main financial statements showed that the Council's finances were managed in line with the resources available. Michael Honeysett told the Committee that officers were still in the final stages of completing the accounts and that it was anticipated that there would be an unqualified opinion by the end of July. He referred the Committee to the statements attached to the report and the balances on the Housing Revenue Account and the General Fund.

4.2 Councillor Gregory referred to the fact that high levels of funding were set aside for the Capital Programme. James Newman told the Committee that reserves continued to reduce as they were used for intended purposes. Councillor Gregory asked how much there was in the hardship fund and it was confirmed that the sum was approximately £100,000.

4.3 The Chair expressed concern about the complex financial arrangements for integrated commissioning and consequent issues around accountability.

4.4 In response to member questions, Ian Williams agreed to circulate a briefing on ITT and the income that the Council was expecting.

4.5 The Chair referred to the fact that there was a need for increased detail on the significant contribution of the Audit Committee in the Council's governance in the Annual Governance Statement and asked to see this in next year's statement.

RESOLVED:

1. To approve the Council's 2018/19 Statement of Accounts prior to the audit opinion being issued.

2. To approve, in its own right, the Annual Governance Statement contained within the Statement of Accounts.

5 Any other business that the Chair considers urgent

5.1 The Chair reported that the proposal in relation to a deep dive on insourcing on contracts had been approved at a recent special meeting. The deep dive would consider performance management, levels of contract management resources and adequacy of in-house performance.

5.2 The Chair reported that a report on agency workers would be submitted to the next meeting of the Audit Committee and that members of the Committee should submit comments on this.

Duration of the meeting: 6:30 – 8:15

Chair at the meeting on
Wednesday, 24 July 2019