

# AUDIT AND MEMBER STANDARDS COMMITTEE

28 NOVEMBER 2023

## PRESENT:

Councillors Ho (Chair), Whitehouse (Vice-Chair), Marshall, J Smith, P Taylor, S Taylor, Vernon

## 20 APOLOGIES FOR ABSENCE

Apologies were received from Councillor Robertson.

## 21 DECLARATIONS OF INTEREST

No declarations of interest were received.

## 22 MINUTES OF THE PREVIOUS MEETING

The minutes of the previous meeting held 27<sup>th</sup> September 2023 were taken as read and approved as a correct record.

## 23 AUDIT FINDINGS REPORT FOR LICHFIELD DISTRICT COUNCIL 2021/22

Avtar Sohal (External Auditors) presented the report to the committee. He confirmed testing had been completed on all outstanding areas. Mr Sohal confirmed the financial statements had been updated and he was content that the figures were free from material error. Assurances from Staffordshire Pension Fund auditors are still being sought for 2021/22 before the audit opinion can be signed off – this is expected in January 2024 though he highlighted that this is outside of his control.

It was confirmed that if they are not signed off by January and central government introduces emergency measures, then he would have to issue a disclaimed opinion that it has not been possible to provide assurances by that point. However, it was noted this would impact multiple authorities if it were to occur so would not result in any significant reputational damage to LDC.

**RESOLVED:** The committee reviewed and noted the contents of the report.

## 24 AUDIT FINDINGS REPORT FOR LICHFIELD DISTRICT COUNCIL 2022/23

Mr Sohal presented the report to the committee. He confirmed that the external auditors are in the final stages of their audit. It was noted that the same issues around assurances explained in the previous item would impact this statement too. He highlighted the valuation of land and buildings and valuation of investment property, noting LDC had identified two investment properties that had been omitted in previous years. The authority had received valuations from the Valuer that identified they were below the materiality level.

It was confirmed that this was a historic asset picked up as part of a review of the fixed asset register and was valued lower than the materiality level. It was noted that the trend of valuations had been impacted significantly by Covid-19 and more recent inflationary pressures, creating an inconsistent set of underlying assumptions. Roughly 90% of the authority's assets are valued every year.

**RESOLVED:** The committee reviewed and noted the contents of the report.

## **25 AUDITOR'S ANNUAL REPORT FOR LICHFIELD DISTRICT COUNCIL 2022/23**

Mr Sohal presented the Auditor's Annual Report for LDC covering 2021/22 and 2022/23 to the committee. He confirmed that this was a very clean report and that the authority's financial arrangements were stronger than most others. He confirmed that Grant Thornton will certify that the audits are complete, and an opinion issued before handing over to the new auditors on a clean slate.

Members praised the officers involved for putting the council in such a strong financial position.

**RESOLVED:** Members reviewed and approved the contents of the report.

## **26 STATEMENT OF ACCOUNTS 2021/22**

Anthony Thomas (Assistant Director Finance & Commissioning) presented the report to the committee. He noted that just 12% of local audit opinions have been issued across the country, highlighting this is a large-scale problem across multiple authorities with consequences for budget setting at councils. The Department for Levelling Up, Housing and Communities (DLUHC) has announced a range of options to fix the backlog but it is not clear that central government have implemented those yet. Mr Thomas confirmed the main issue relating to 2021/22 is the impact of the more recently completed 3-year pension valuation on the pension figures used in the accounts. He confirmed he was seeking approval subject to a delegation to the chair.

**RESOLVED:** The committee:

- Noted the External Auditor's Audit Findings Report (Agenda Item 4).
- Approved the Letter of Representation at APPENDIX A.
- Approved the Councils Statement of Accounts for 2021/22.
- Approved the delegation of authority to the Chair of Audit and Member Standards Committee to approve any changes and potentially resign the accounts once we have received assurance from Staffordshire County Council's external auditors in relation to the Staffordshire Pension Fund.

## **27 STATEMENT OF ACCOUNTS 2022/23**

Mr Thomas presented the report to the committee. It was confirmed formal completion will occur when the auditors release their audit opinion. The pension funds valuation was again highlighted as the main impact on these accounts. The interest rate increase (and increases in gilt yields) means that the pension liability has become an asset for the first time and therefore with CIPFA issuing guidance for authorities in this position in the last week, the approach now needed to be agreed with the auditors. LDC is also currently awaiting a formal audit opinion from the pension fund auditors. Approval was again being sought for the accounts subject to any non-material changes being delegated to the committee Chair.

**RESOLVED:** The Committee:

- Noted the External Auditor's Audit Findings Report (Agenda Item 5).
- Approved the Letter of Representation at APPENDIX A.
- Approves the Councils Statement of Accounts for 2022/23.
- Approves the delegation of authority to the Chair of Audit and Member Standards Committee to approve any changes and potentially re-sign the accounts once we have received assurance from Staffordshire County

Council's external auditors in relation to the Staffordshire Pension Fund, and once the changes needed to reflect the national technical issue relating to the actuarial valuation of the Council's pension fund has been agreed with the External Auditors.

## **28 MID-YEAR TREASURY MANAGEMENT REPORT**

Mr Thomas presented the Mid-Year Treasury Management report to the committee. He stated that it included Prudential Indicators however these are not intended to be benchmarked or compared to other authorities they determine if capital investment is affordable, prudent and sustainable. He highlighted capital expenditure as being £9.3 million lower than budgeted. This mainly relates to the reprofiling of the Leisure Centre, clearing the Disabled Facilities Grants backlog, the cinema and BRS enabling works. He also noted that the council has only 1 external loan at present.

Mr Thomas explained that the authority was now looking to change its strategic or pooled investment approach due to increased volatility in the financial environment. The authority is looking to reduce its exposure to financial risks before the statutory override is potentially not extended past March 2025 and also to provide cash to fund the £5m of internal borrowing for the leisure centre.

In response to member questions, Mr Thomas confirmed it was within the authority's power to provide mortgages, but this would need a much more thorough appraisal process. Mr Sohal added that not many authorities provide mortgages today and would advise LDC to think long and hard before considering any such move.

Mr Thomas confirmed that he would ideally like the authority to have a link between internal borrowing and the level of strategic or pooled investments and that internal borrowing reduces any risk on credit, is less costly and can be repaid from windfalls without penalty.

**RESOLVED:** The committee:

- Reviewed the report and issues raised within.
- Provided views on the recommended revised approach to Strategic Investments.
- Reviewed the Prudential Indicators contained within the report.

## **29 LWMTS – ANNUAL REPORT**

Simon Fletcher (Chief Executive LDC / Managing Director LWMTS) presented the report to the committee. He passed on the apologies of Cllr Alex Farrell (Chair of the LWMTS Board). Mr Fletcher stated that the report was open and transparent about what had taken place during the previous year. He highlighted the profit of £13,000 made by the company during a year in which the target had been to break-even. Mr Fletcher confirmed that satisfaction and membership levels were up at the leisure centre. He also confirmed that careful budgeted may result in a small underspend.

**RESOLVED:** The Committee reviewed the LWTMS Annual Report 2022/23.

## **30 INTERNAL AUDIT PROGRESS REPORT**

Andrew wood (Audit Manager) presented the report to the committee. He noted the exceptional circumstances affecting the section and confirmed that additional resources had been drawn down from BDO, allowing additional work to be fully resourced. He stated that he expected completion rates to pick up in the new year in time for the next meeting in February.

Mr Thomas added that the section was having to manage a set level of resources and balance their focus across multiple priorities.

In response to questions, Mr Thomas explained that roughly £100,000 had been set aside for climate change. If central government impose requirements on the council then the government is obligated to provide additional funding to councils to implement those proposals. However, recent government food waste requirements have seen funding being committed at “a reasonable level”.

Mr Wood confirmed that the Cross Departmental Working Group had not yet met as far as he was aware but that this would be part of follow up reviews and driven forward with support from Leadership Team (LT).

**RESOLVED:** The committee noted Internal Audit’s Annual Report, including results for the quarter to 30 September 2023.

### **31 RISK MANAGEMENT UPDATE**

Mr Wood presented the Risk Management Update report to the committee. He highlighted that between July 2023 and now, the councils risk profile has not changed but will continue to be reviewed on a regular basis.

**RESOLVED:** The committee noted the risk management update and received assurances on actions taking place to manage the Council’s most significant risks.

### **32 COUNTER FRAUD UPDATE REPORT**

Mr Wood presented the Counter Fraud Update report to the committee. The council takes part in the national fraud initiative with work progressing and the refreshing of data to be coordinated alongside this. LWMTS will be developing their own policies in due course. Following this committee meeting, all staff will be circulated copies of the appendices.

Members recommended including a section on advice for elected members alongside the advice for managers and staff.

Mr Wood confirmed LDC has a whistle-blowers policy and that this had been provided as part of the confidential reporting policy. Any whistleblowing is dealt with in a serious manner and investigated thoroughly with a requirement to protect the whistle-blower. LDC accepts both named and anonymous whistleblowing events.

Members asked if 1 incident in 5 years suggested staff did not understand the process for whistleblowing. Mr Wood confirmed that the policies are annually communicated to members of staff but annual tests to ensure these were understood could be investigated. Mr Thomas highlighted that 1 incident in 5 years could indicate that staff feel a positive workplace culture means they do not need to revert to whistleblowing.

In response to questions, Mr Wood confirmed he would review why gender was included in the relevant questions on the reporting form.

**RESOLVED:** The committee endorsed the contents of this Counter Fraud update report.

### **33 WORK PROGRAMME**

Will Stevenson (Principal Governance Officer) confirmed that the work programme remained mostly unchanged. He highlighted that whilst there were currently sections for two sets of external auditors, these would merge into one set of items in due course.

#### **34 EXCLUSION OF PUBLIC AND PRESS**

**RESOLVED:** "That as publicity would be prejudicial to the public interest by reason of the confidential nature of the business to be transacted, the public and press be excluded from the meeting for the following items of business, which would involve the likely disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

#### **35 PRIVATE MEETING WITH EXTERNAL AUDITORS**

**RESOLVED:** It was agreed to defer the private meeting with the external auditors to the next committee meeting.

(The Meeting closed at 7.33 pm)

CHAIR