

# **AUDIT AND MEMBER STANDARDS COMMITTEE**

**14 NOVEMBER 2018**

## **PRESENT:**

Councillors Tittley (Chairman), Houlton (Vice-Chair), Mrs Boyle, Marshall, Mosson, Rayner, Strachan, Mrs Tranter and Mrs Woodward

Observer: Councillor Spruce (Cabinet Member for Finance & Democratic Services)

Officers In Attendance: Mr N Turner, Miss W Johnson, Ms B Nahal and Mr A Thomas

Also Present: Mr John Gregory (Grant Thornton UK LLP) (External Auditor) and Ms Laurelin Griffiths (Grant Thornton UK LLP) (External Auditor)

## **12 APOLOGIES FOR ABSENCE**

There were no apologies for absence.

## **13 DECLARATIONS OF INTEREST**

There were no Declarations of interest.

## **14 MINUTES OF THE PREVIOUS MEETING**

The Minutes of the Meeting held on 25 July 2018, as printed and previously circulated, were taken as read and approved as a correct record.

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

Mr Anthony Thomas (Head of Finance & Procurement) delivered a Presentation on the Mid-Year Treasury Management Report and explained why we prepare the report and went through the treasury management activities including the projections for the current financial year and the projected prudential indicators.

Mr Thomas explained the Capital Programme performance comparing the Original and Revised Budgets with an increase in Budget of £2,326,500. Spend was projected to be £3,544,000 lower than the Approved Revised Budget. The reasons for the variance to the Approved Revised Budget were also shown in a graph which illustrated £3,000,000 Property Investment Strategy which was approved by Council on 16 October 2018 and Mr Thomas said at present the Council is in the process of recruiting an estates management team that will be integral to the delivery of this strategy. Capital Receipts were projected to be higher than budget due to Disabled Facilities grant repayments and the Council's share of Bromford Right to Buy Receipts. Capital Funding would reflect the projected Capital Programme performance and therefore borrowing would be lower than the Revised Approved Budget.

It was queried if there was to be a review of the Capital Programme as the only capital for Burntwood seemed to be Sankey's Corner Environmental Improvements and it did not seem equitable, could the Burntwood equitable share be looked at as there is a lot of money in Lichfield City Centre. Mr Thomas advised that the Strategic (O&S) Committee would be considering the Draft Capital Programme and Capital Bids at their meeting on 22 November 2018.

The Balance Sheet Projections reflect lower spend on the Property Investment Strategy together with lower borrowing. The projected year-end balance of investments was 322,186,000 compared to the Budget of £20,911,000.

Borrowing need and its financing reflected the lower projected spend on the Property Investment Strategy.

At 30 September 2018 the Council had £31m of investments with the value of the Property Investment now showing a "book loss" of £90,930 compared to the projected balance on the Earmarked Reserve of £95,083.

Mr Thomas stated that at the end of the financial year last year there was a difference of opinion between ourselves and the External Auditors although this would be overcome through a statutory override. The statutory override has been provided by MHCLG for a 5 year period although CIPFA are still advocating a permanent override.

The yield of our investments compared to other Authorities demonstrated that we are slightly lower than other districts and more spread than others and the evidence shows we are much more secure.

Mr Thomas explained the new requirements of the Treasury Management Code and Prudential Code which states it will be possible to delegate responsibility for detailed Treasury Management Policies to this committee and the updated Prudential Code requires the completion of a Capital Strategy that will need to be approved by Full Council with scrutiny by this committee. Discussion took place around the Capital Strategy content and it was questioned if this document would sit with the MTFs and therefore go to Strategic (O&S) Committee. Mr Thomas said he was happy to do this and offered to look at this with the Chairman of Strategic (O&S) Committee.

The risks associated with the Capital Strategy were discussed and it was deemed that this should be a corporate risk on the risk register.

- RESOLVED:-** (1) The Report was reviewed and noted;  
(2) The projected 2018/19 prudential indicators contained within the report were noted; and  
(3) The requirement to produce a Capital Strategy that will need to be approved by Full Council was also noted.

## **16 AUDIT & MEMBER STANDARDS COMMITTEE PRACTICAL GUIDANCE**

Mr Thomas briefed Members on the revised CIPFA Audit Committee Practical Guidance 2018 edition which replaced the previous 2013 Position Statement. Discussions took place around the content. The Committee were asked to consider the requirement for an independent member for non-standards issues as well as the standards issues which we currently have. Members did support the inclusion of independent members as it was agreed it would assist with transparency and add real questioning and rigor which is needed on a productive Audit Committee. However, it was felt to be quite a specialist committee and an independent member would need to be trained appropriately and from the correct background which may be challenging for us to find someone appropriate. The Chairman asked the Committee if they knew anyone who they would recommend as an independent member to let himself, Ms Nahal and Mr Thomas know. Ms Nahal - Head of Legal, Property & Democratic Services reminded the committee members that there are restrictions for independent members. She suggested that Council be asked for recommendations now for the next municipal year and this was agreed. In the meantime Committee members did support additional/refresher training for

everyone as the purpose of an Audit Committee was to provide governance and independent assurance and this did include the adequacy of the risk management framework which could focus on the Capital Strategy.

The common areas of difficulty for Audit Committees was highlighted in the Report and the fact that limited knowledge and experience of members had been one of the top three barriers facing both Local Authority and Police Audit Committees.

- RESOLVED:-**
- (1) The Committee noted the updated practical guidance for Audit Committees published by CIPFA;
  - (2) The Committee considered the requirement of an independent member for non-standards issues as well as standards issues and all Members of the Council would be asked to recommend suitable candidates to the Chairman, Ms Nahal and Mr Thomas (Head of Finance & Procurement) for the new municipal year;
  - (3) Members considered additional/refresher training was a good idea for Members of the Committee in the new municipal year.

## 17 INTERNAL AUDIT PROGRESS REPORT

Members considered the Internal Audit Progress Report April 2018 to August 2018 and Mr Thomas presented the Audit Manager's Report on behalf of Mrs Struthers. The Audit Manager's opinion statement is at Appendix 1.

The report on Audit work carried out during April 2018 to August 2018 was summarised as the Internal Audit progress to the end of August 2018 shows that Internal Audit had started/completed 29% of the planned audits for 2018/19 which has evolved due to an Audit Apprentice being taken on in January 2018 and then left in June 2018 creating a vacancy. This vacancy gap is currently being provided by contracted staff to achieve the audit plan and a new post of Trainee Internal Audit Assistant is due to start in December.

Nine audits had been finalised during the period April 2018 to August 2018 with a total of 30 recommendations made with 27 of them being accepted by management. The table at Appendix 2 detailed the reviews finalised and their assurance levels and the limited assurances for TIC/Tourism and Section 106/CIL agreements were clarified by the Head of Service and Managers:-

Mr Craig Jordan, Head of Economic Growth introduced Ms Lisa Clemson, Tourism Manager to the Committee. Ms Clemson said she had joined Lichfield District Council 12 months ago and had welcomed this audit with it being conducted so soon after her starting the role as it highlighted the key areas that were in need of addressing at the tourist information office. The staffing levels and lack of leadership within the office had been the first area of concern. Ms Clemson said she had restructured the team at the tourist information office, which included moving one of the tourism team to be based at the tourist information office on a full-time basis to oversee the day to day operation. These changes have eradicated the need to use as many casual staff, provided more consistency and a more harmonious working environment. The salary costs are now in line with budget. All the tourism information office staff are now on the TMS system and Ms Clemson has also looked at the banking process taking advice from the finance team. New procedures have been put in place including dual signing when dealing with cash to the bank for a more secure operation. A new operations manual is currently being written by the tourist information team which will be finalised once the move to St Mary's has taken place and the team have settled in. As the tourism information office is currently in the library the office is closed on a Sunday – this was

questioned by members as Sundays are usually very busy for Cities like Lichfield. Ms Clemson said the Visit Lichfield website contained lots of information for visitors and is kept up to date.

The tours were discussed and members were interested in how much the tours actually cost us and questioned the income generated. Ms Clemson advised that she had completed a cost analysis on all of the tours that had gone out over the last 18 months, from this analysis, new procedures have been put into place and prices have increased. Ms Clemson said currently they don't have enough guides to meet the demand for tours. An Open Day is being held on 20 November to recruit new guides, she welcomed anyone to come along and she had put together a training programme to train the new guides.

The Chairman thanked Ms Clemson for her attendance and the clear explanations and members were happy to hear of her vision for the tourism office. The Chairman invited Ms Clemson to return to the meeting in 6 months to update and this was agreed. In the meantime he agreed to write to the Chairmen of both Economic Growth, Environment & Development (O&S) Committee and Leisure, Parks & Waste Management (O&S) Committee as it was felt to be a very important area for the Lichfield District which could be much better. It was queried whether we had sought contributions from other authorities for financial support for tourism (i.e. Lichfield City Council/Lichfield Discover are we connected to them)?

It was agreed that this was not the scope for an Audit & Member Standards Committee but there was scope for another committee to scrutinise the performance of the Tourist Information Centre. Mr Jordan confirmed that this was on the wider economic growth agenda and that the correct committee would be the Economic Growth, Environment & Development (O&S) Committee rather than the Leisure, Parks & Waste Management (O&S) Committee. Mr Turner agreed and said this could be something the O&S Co-ordinating Group look at. Discussions then followed about there being a definite cross over as tourism fits both committee's work programmes and the Chairman agreed to write to both O&S Chairmen.

Mr Craig Jordan, Head of Economic Growth introduced Mr Ashley Baldwin, Spatial Policy and Delivery Manager to the Committee and Mr Baldwin explained that Lichfield District Council had adopted CIL in 2016. This adoption created an additional burden for the team. Mr Baldwin said the audit had highlighted a problem with the integration of the two systems used for s106 and CIL. Mr Baldwin explained that the s106 system was paper based and traditional. The CIL system utilised is a system called Exacom which is a software based system. The system is automated and will assist in meeting assurance levels. It had therefore been necessary to bring s106 historical information on to this new software system. This process enables the establishment of automated monitoring triggers could be set up.

In addition, since the audit, resources had been assessed. Following this the team were successful in securing an officer to solely look at the integration and large strategic sites predominantly. This means that the systems in planning, local plan, CIL, s106 can now work together whereas this was not previously happening. The process of implementing this post is ongoing but significant progress has been made.

Mr Baldwin explained that an item was going to December's Council meeting to remove the charging on domestic extensions which had been a big burden for Lichfield District Council and would free up officer time for bigger developments. This will also free up officer time to more effectively deal with the other areas of work relating to the CIL/s106.

The procedure for the formal process for spending and distributing CIL and s106 monies had also shown up in the audit and Mr Baldwin said a process was now in place. However, the first round of CIL bidding required to working group to consider its approach to ensure bidding applications are of a suitable standard.

The Chairman thanked Mr Baldwin for his explanations and members felt the issues were actually national problems which have occurred since CIL was set up. It was asked if anything

had been done through the Local Government Association or the National Framework or if we were lobbying with others about the problems. Mr Baldwin said we do as an authority submit comments on any change. In addition officers sit on a National Forum convened by the Planning Officers' Society who lobby government on behalf of its members. There is also a local forum which includes the Black Country Authorities/Cannock and Birmingham City who discuss national issues regularly. Mr Baldwin said the two areas picked up by the audit are inherently complex and there is enormous scope for user error and he assured the Committee that he had taken the steps to streamline the systems now, specifically the team who are implementing the bolt-on to Exacom to bring on the s106 agreements.

The Chairman thanked Mr Baldwin again and said he would like to look at it again in 6 months as the systems are money earners for the Lichfield District Council.

**RESOLVED:-** The Committee noted the Performance Report and issues were discussed.

## **18 RISK MANAGEMENT UPDATE TO INCLUDE RISK MANAGEMENT POLICY AND CORPORATE RISK REGISTER**

Members considered the Risk Management Update which included the Risk Management Policy and Corporate Risk Register. Mr Thomas (Head of Finance & Procurement) in the absence of the Author, Angela Struthers (Audit Manager) explained that there had been 8 risks identified that could potentially have an impact on the Council's ability to deliver its Strategic Plan – See Appendix 2.

Mr Thomas highlighted the two projects which carried significant risks:-

- 1) End of the ICT Support Contract – Mr Thomas explained that this should disappear now as the successful implementation of the in-house service had occurred; and
- 2) The Friary Grange Leisure Centre.

It was queried why the Property Investment Strategy was not a corporate risk on the risk register. This was noted and it was agreed that the Chairman of this Audit & Member Standards Committee would write to the Chairman of the Strategic (Overview & Scrutiny) Committee highlighting this.

**RESOLVED:** The Committee:

- (1) Approved the revised Risk Management Policy;
- (2) Noted the work undertaken to ensure the risk Management policy is adhered to and the actions taking place to manage the Council's most significant risks;
- (3) Noted that the corporate project risk can be removed following the successful insourcing of the Information and Communications Technology support contract.

## **19 THE ANNUAL AUDIT LETTER FOR LICHFIELD DISTRICT COUNCIL**

Mr John Gregory from Grant Thornton presented the Annual Audit Letter for Lichfield District Council and explained that this will be his last Audit & Member Standards Committee meeting as he is switching his responsibilities and will no longer be our Engagement Lead at Grant Thornton and will be replaced by Mr Phil Jones who is actually a resident of Lichfield and another very experienced Engagement Lead. (Mr Gregory said Ms Laurelin Griffiths would still remain our Engagement Manager).

The Annual Audit Letter for Lichfield District Council was presented and Mr Gregory explained that it actually repeats the Audit Findings Report for Lichfield District Council for the year ended 31 March 2018. This Letter is intended to provide a commentary on the results of our work to the Council and external stakeholders and to highlight issues that we wish to draw to the attention of the public, in preparing this Letter.

No questions arose and the Chairman on behalf of the Committee thanked Mr Gregory for all his support and professionalism throughout the years whilst being Lichfield District Council's Engagement Lead.

**20 AUDIT COMMITTEE LDC PROGRESS REPORT AND UPDATE - YEAR ENDED 31 MARCH 2019**

Ms Laurelin Griffiths introduced the Audit Progress Report and Sector Update for year ended 31 March 2019 and said this provided the Committee with a report on the progress in delivering their responsibilities as Lichfield District Council's External Auditors. Ms Griffiths highlighted the audit deliverables set out on page 191 and asked for questions.

**RESOLVED:** The Committee noted the Audit Progress Report and Sector Update for year ended 31 March 2019.

**21 CERTIFICATION WORK FOR LICHFIELD DISTRICT COUNCIL FOR YEAR ENDED 31 MARCH 2018**

Ms Griffiths, External Auditor advised the Committee that she was just completing the Report on the Certification Work for Lichfield District Council for year ended 31 March 2018 and there were only a few minor amendments like last time. She agreed to table the full report at the next meeting.

**22 WORK PROGRAMME**

A revised Work Programme was circulated and the Chairman asked for any additions/alterations to the programme. There were none.

(The Meeting closed at 7.50 pm)

CHAIRMAN