

AUDIT AND MEMBER STANDARDS COMMITTEE

27 MARCH 2019

PRESENT:

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

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

Officers In Attendance: Mrs J Irving, Miss W Johnson, Ms B Nahal, Mrs A Struthers, Mr A Thomas, Ms C Tims and Mr N Turner

Also Present: Ms Laurelin Griffiths (Grant Thornton UK LLP) (External Auditors) and Mr Phil W Jones (Grant Thornton UK LLP)

36 APOLOGIES FOR ABSENCE

No apologies were received.

37 DECLARATIONS OF INTEREST

There were no Declarations of Interests.

38 MINUTES OF THE PREVIOUS MEETING

The Minutes of the Meeting held on 6 February 2019, as printed and previously circulated, were taken as read and approved as a correct record.

39 REVIEW OF ACCOUNTING POLICIES

Mr Thomas presented the proposed Accounting Policies for the 2018/19 Statement of Accounts and explained that best practice recommends that this be used to prepare the Council's Statement of Accounts if approved by the Audit & Member Standards Committee. The changes had been highlighted throughout the report for ease of reference and Mr Thomas did a Presentation which covered Local Authority Accounts, Accounting Policies, Potential changes in Accounting Policies for 2018/19, Financial Instruments at 31 March 2018, International Financial Reporting Standard (IFRS) 9 Financial Instruments and Classifications and likely Financial Instrument Classifications at 31 March 2019.

Mr Thomas explained that we had assessed the scope and the Council's income and believed that Standard IFRS15 did not apply to Lichfield District Council, implementation of IFRS16 related to Leases had been delayed for implementation by CIPFA until 1 April 2020 and only Standard IFRS9 applied for Financial Instruments applies for 2018/19. Mr Thomas explained that the main change contained within this Standard is the introduction of a forward looking expected credit loss (ECL) model for financial assets such as investments and relevant debtors that replaces the old incurred loss model which impacts on two accounting policies – Financial Instruments and Fair Value Measurement which Mr Thomas went on to explain as it had been described as more user-friendly but still complex. In IFRS you can make a choice through an election to manage changes through the balance sheet and Arlingclose view is that the election is only suitable for strategic funds and company shares held for the long term and that shares and units in pooled funds are equity instruments including the CCLA Property

Fund. However, our External Auditors have alternative views on this as Grant Thornton as a firm believe Property Funds do not meet the criteria for election.

Concern at the different professional opinions was raised by the Committee as it was felt as lay members receiving two diverse professional views can be very confusing. It was asked if one could revoke the election but Mr Thomas stated that once made, the decision was irrevocable until it ends when you sell the investment. However, Mr Thomas did say that there were differences of opinion between different audit firms on this as the moment and it was a relatively modest amount of money (£70,000) which may reduce in the future dependent on the value of property within the property fund.

RESOLVED:- The Committee approved the Council's proposed Accounting Policies that will form part of the 2018/19 Statement of Accounts.

40 PUBLIC SECTOR INTERNAL AUDIT STANDARDS & QUALITY ASSURANCE & IMPROVEMENT PROGRAMME

Mrs Struthers (Audit Manager) presented the Public Sector Internal Audit Standards/Quality Assurance & Improvement Programme Report which provides evidence of compliance with the Public Sector Internal Audit Standards. The Quality Assurance & Improvement Programme is a requirement of the Public Sector Internal Audit Standards and sets out how the quality will be measured for the Internal Audit Service. Mrs Struthers explained that Appendix 1 was the current internal annual assessment against the standards and Appendix 2 was the Quality Assurance & Improvement Programme (QAIP).

RESOLVED:- Members endorsed the Internal Quality Assessment and the Quality Assurance & Improvement Programme as no issues were raised.

41 INTERNAL AUDIT CHARTER AND PROTOCOL

Mrs Struthers (Audit Manager) introduced Members to the proposed Internal Audit Charter and Protocol for the 2019/20 financial year. The Committee considered the attached report and appendices and changes made to the protocol were welcomed. The changes included deleting the requirement for the issue of a memo in certain circumstances as, after completion of all work, a final audit report will be issued and the Report distribution being extended to all Members of the Audit & Member Standards Committee to ensure that all Members of the Committee are made aware of the assurance levels given at the completion of the audit.

RESOLVED:- The Committee considered and approved the amended Internal Audit Charter and Protocol for 2019/20 as no issues were raised.

42 INTERNAL AUDIT PLAN

Mrs Struthers (Audit Manager) introduced the Internal Audit Plan 2019/20 which is the work programme of the Internal Audit section. Discussions took place and it was recognised that there was a typo in paragraph 3.4 as the days calculated should have quoted 447 as detailed in Appendix 1. It was agreed to amend this and there was only one concern around the planned number of days spent on Finance & Procurement – a query was raised whether 10 days was enough for the Property Investment Strategy audit. Mrs Struthers and Mr Thomas agreed and stated that once an area was scoped and identified a better idea of the number of days involved was mapped. The planned days are an estimate as some areas could take less or some more but the plan would be monitored throughout the year.

RESOLVED:- Members approved the Annual Planned Audit Work Programme.

43 2017/2018 ANNUAL REPORT OF THE MONITORING OFFICER - COMPLAINTS

A verbal report was given by Ms Bal Nahal as Monitoring Officer on the number of complaints received by Lichfield District Council since the last Annual Report tabled on 9 May 2018. Only two complaints had been received during 2017/18 and no action on either taken. However, as several complaints had recently been received she suggested the Annual Report of the Monitoring Officer re: complaints be brought forward on the Audit & Member Standards Committee work programme to November 2019.

It was asked if there was a peak in complaints at election time and Ms Nahal confirmed that there was, but they can be politically motivated and do not all go through the complaints procedure. Members said one of the difficulties with members' complaints was that there was no inhibitor within the process and it was agreed there was a problem as each complaint had to be dealt with on its own merit as frivolous, vexatious and politically motivated tit-for-tat complaints were likely to be rejected.

Ms Nahal said she had taken a briefing note to Leadership Team recently on Local Government Ethical Standards Best Practice Guidance which highlighted the Standards in Public Life Report. A number of recommendations may require legislative change but the council should be adopting best practice.

It was asked if the Committee could assist in assessing the recommendations but it was felt that given the disruption to the legislative process posed by the effects of Brexit there was considerable potential for constant changes. It was agreed to await the primary and secondary legislation adoption.

It was agreed that Councillors have a very difficult job as there is a consistent change in legislation for them to consider. Ms Nahal said that it had been recommended after her last Annual Report that refresher member training take place on Code of Conduct/Equalities and this had taken place. Ms Nahal advised that there would be a Member Induction and Member Training session arranged after the District/Parish Election on 2 May 2019 and asked if existing members could help any new members going forward.

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

Mr Phil Jones and Ms Laurelin Griffiths from Grant Thornton presented the Audit Progress Report and Sector Update Lichfield District Council year ending 31 March 2019 which provided the Committee with a report on progress in delivering our responsibilities as External Auditors. Ms Griffiths confirmed that the interim audit had commenced in January 2019 and said the auditors had been on-site for a couple of weeks during the month of March and so far no issues had been found. She advised that the statutory deadline for the issue of the 2018/19 opinion is 31 July 2019 and they were currently discussing their plan and timetable with officers. The final accounts audit is due on 28 May with a findings report being tabled at the July Audit & Member Standards Committee meeting.

Mr Phil Jones advised the Committee Sector Updates had been included in the report to give an update on emerging national issues and developments that may be relevant to us as a local authority and includes a number of challenge questions in respect of emerging issues which the Committee may wish to consider.

RESOLVED:- The Committee noted the contents of the Audit Progress Report and Sector Update.

45 WORK PROGRAMME

Members noted the Work Programme and the Chairman requested any additions/alterations to the programme.

46 EXCLUSION OF PUBLIC AND PRESS

RESOLVED: That, as publicity would be prejudicial to 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 item 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 (as amended).

IN PRIVATE

47 CONFIDENTIAL MINUTES OF THE PREVIOUS MEETING

The Confidential Minutes of the Meeting held on 6 February 2019, as printed and previously circulated, were taken as read and approved as a correct record.

48 CONFIDENTIAL INTERNAL AUDIT REPORT - PR & COMMUNICATIONS

Minutes for this item are recorded separately as it includes exempt information.

(The Meeting closed at 7.15 pm)

CHAIRMAN