

**MINUTES OF A MEETING OF THE AUDIT COMMITTEE
HELD IN THE REPTON ROOM, FOLLATON HOUSE, PLYMOUTH ROAD, TOTNES
ON THURSDAY, 2 SEPTEMBER 2021**

Members in attendance * Denotes attendance ∅ Denotes apology for absence			
*	Cllr L Austen (Chairman)	*	Cllr R Rowe
*	Cllr J Brazil	*	Cllr B Spencer (Vice-Chairman)
*	Cllr J McKay	*	Cllr B Taylor
∅	Cllr J T Pennington		

Member(s) also in attendance:
Cllr H D Bastone

Item No	Minute Ref No below refers	Officers and Visitors in attendance
All Items		Section 151 Officer and Democratic Services Manager

A.7/21 MINUTES

The minutes of the Audit Committee meeting held on 1 July 2021 were confirmed as a true and correct record.

A.8/21 DECLARATIONS OF INTEREST

Members and officers were invited to declare any interests in the items of business to be considered during the course of the meeting, but none were made.

A.9/21 CHAIRMAN'S ANNOUNCEMENTS

The Chairman reminded the Committee that, at its last meeting held on 1 July 2021, there had remained some outstanding questions for the attention of Grant Thornton (the Council's External Auditors) during consideration of the annual Audit Plan (Minute A.3/21 refers).

It was noted that responses had now been received and they were outlined as set out below:

Question 1: 'the Committee reiterated its previously held view that a 27% increase in Audit Fees was excessive. Would the Council therefore receive 27% extra auditor hours on its audit to reflect the increased Fee?

Grant Thornton representatives had subsequently provided the following response:

'The increase in Fees addresses a number of additional requirements and responsibilities placed on us as auditors. Whilst the Audit Fee does not cover a set number of 'days' as an internal audit contract would and instead covers the cost of delivering the external audit, the increase in costs arise directly as a result of the increased time that is required to complete our external audit. Audits are taking significantly longer to deliver to the required quality standard for a number of reasons and this can be seen quite clearly in the number of audit opinions that were issued by the target date of 30 November 2020 for the 2019/20 and the deterioration in performance over the last few years. This is a direct impact of more work meaning audits take significantly longer to complete which can be seen by the number of audits completed by the target date of the last few years:

	2016/17	2017/18	2018/19	2019/20	2020/21
<i>Draft Accounts</i>	30 June	31 May	31 May	31 Aug	31 July
<i>Audited Accounts target</i>	30 Sept	31 July	31 July	30 Nov	30 Sept
<i>% achieving audit target</i>	95%	87%	57%	45%	?

Our expectation is that the audit will take at least the 27% extra that was quoted to complete and in all likelihood even longer than this.

PSAA (Public Sector Audit Appointments) ultimately will determine the appropriateness of these fees in their statutory role.'

Question 2: 'Do Grant Thornton have the relevant knowledge and expertise in Pensions for the increased work on Pensions in the audit?'

The Council had since received the following response from Grant Thornton representatives:

'As your external auditors, we possess the relevant experience and qualifications to consider the financial statements and related accounting entries. This also includes the estimates that management include in the financial statements and that you as those charged with Governance oversee. For the pension liability, management conclude that they need external expertise in the form of their actuary in order to calculate the estimate. This calculation is complex and relies on a number of assumptions. The outputs are also dependent upon the information provided to the actuary by the Council and the Pension Fund.

For our audit work, we (the audit team) are able to confirm:

- *The accounting entries are appropriately disclosed and included in the accounts, with reference to the actuary's report;*
- *That the data submitted to the actuary by the Council was appropriate, can be reconciled to payroll systems and is consistent with the payroll information provided to us to support our other testing and with the wider financial statements; and*
- *That the data submitted by the Pension Fund is appropriate (by writing to the Pension Fund auditor and requesting various assurances).*

We are not trained actuaries and therefore the National Audit Office engage Price Waterhouse Coopers (PWC) as an auditor's expert on behalf of all local government auditors. PWC consider the methodologies and assumptions applied by the various Local Government actuaries and provide information and assurance to us as external auditor which we review and consider as part of our work in order to provide us with the expert input on methodology and assumptions.

We are also able to call on other expert advice as and when it is needed, be that from actuaries employed by Grant Thornton or by other organisations. An example of when Grant Thornton did this nationally was 2018/19, the first year that the McCloud ruling had a potential impact on Local Government financial statements. This provided us as auditors with further subject matter expert advice. This would tend to be an exception rather than the norm and would be for one-off events or if the methods and assumptions applied by the actuarial firms and considered on our behalf by PWC.'

A.10/21

DRAFT STATEMENT OF ACCOUNTS AND DRAFT ANNUAL GOVERNANCE STATEMENT 2020/21

The Committee considered a report that presented the draft Statement of Accounts and draft Annual Governance Statement for 2020/21

In discussion, the following points were raised:-

- (a) In response to a query on the waste contract, the Section 151 Officer advised that greater financial information relating to the contract would be subject to a report to be presented to the Executive meeting to be held on 16 September 2021;
- (b) For 2020/21, it was noted that the Council's Council Tax collection rates were 2% above the national average and the Business Rates collection rates (91.74%) were slightly lower than the national average (93%). It was confirmed that this was consistent with the results that were experienced by other Local Authorities across Devon. Given the impact of the COVID-19 Pandemic, the Committee felt that the collection figures were to the great credit of both local residents and local businesses. However, Members did also request that officers consider whether this matter should be included within the Council's Risk Register;

- (c) The Committee was advised that the findings of the most recent Staff Survey would be shared with all Members via a future Bulletin edition. In recognition of the importance of staff morale, the Committee also highlighted the reference in the draft Annual Governance Statement to the fact that the annual staff awards event had not been held recently due to the COVID-19 Pandemic. As a consequence, an additional recommendation was **PROPOSED** and **SECONDED** as follows:

*'That, given that a staff awards event had not been held since the COVID-19 Pandemic, the Committee **RECOMMEND** that the Senior Leadership Team organise and plan an event to highlight the important role that officers have played in supporting our communities throughout the Pandemic; with the event being ideally held before Christmas and with elected Member input into the event.'*

In discussion, support was expressed for the additional recommendation. However, a Member did make the point that the prizes associated with the event needed to be considered meaningful;

In concluding the debate, the Chairman felt that both the draft Statement of Accounts and the draft Annual Governance Statement had excellently summarised what had been an extraordinary year and the contents of both draft documents were commendable.

It was then:

RESOLVED

1. That the Draft Statement of Accounts and the Draft Annual Governance Statement (AGS) for the financial year ended 31 March 2021 be noted; and
2. That, given that a staff awards event had not been held since the COVID-19 Pandemic, the Committee **RECOMMEND** that the Senior Leadership Team organise and plan an event to highlight the important role that officers have played in supporting our communities throughout the Pandemic; with the event being ideally held before Christmas and with elected Member input into the event.

(Meeting commenced at 2.00 pm and concluded at 3.00 pm)

Chairman