

MINUTES OF THE AUDIT PANEL MEETING

Wednesday 10 November 2021 at 7pm

Present: Councillor Rathbone, Councillor Millbank, Councillor Gibbons and Councillor Sheikh

Present remotely: Councillor Wise, Ian Pleace (Independent Member) and Carole Murray (Independent Member)

Apologies: Councillor Hall

1. Grant Thornton- Draft Audit Findings of the LBL and Lewisham Pension Fund

Whilst there were some amendments, detailed in the report, once those have been processed the accounts will be deemed materially accurate. External auditors will be proposing to issue an unqualified opinion on the financial statements once their work has concluded.

The report set out the materiality levels for the external audit. The materiality for the May audit was reported at £18m, £11.7m for performance materiality and trivial matters was reported at £0.9m. Comparatively, for the Pension fund, materiality for the financial statements was reported a £16m, performance materiality at £11.2m and trivial matters at 0.8m. The expenditure was higher this year than last because the value of the net assets in the pension fund were higher than in the previous year.

Under ISA 240, there is a presumed risk of management override of controls and the Council faces scrutiny of its spending which could place management under undue pressure in terms of how they report performance. In response to the risk identified, GT had not identified from their testing any material misstatements or indications of management override of controls.

Audit procedures in the area of valuation of pension fund net liability were nearing completion. No findings had been identified in response to this risk which were required to be reported.

Subject to the satisfactory completion of outstanding matters set out in the report, no findings had been identified in response to Valuation of Level 3 Investments.

Another significant risk identified was incomplete or inaccurate financial information transferred to the new payroll system. The audit procedures reviewed the mapping of closing balances legacy payroll system to Oracle and did not identify any matters that would lead to the conclusion that the Council's payroll expenditure is materially misstated. However, documentation outlining parameter testing and reconciliation was not retained during this period. The work also identified that segregation of duties between the HR and payroll function need to be strengthened.

No material risks were identified in completeness of non-pay operating expenditure and valuation of level 2 investments.

The report also provided commentary on key estimates and judgements within the Council's financial statements, in line with the enhanced requirements for auditors. Auditors reported they are comfortable with the judgements that management have made.

Each year, auditors undertake an assessment of growing concern, a commercially driven assessment. This year, the public sector guidance had been updated, and made clear that greater emphasis can be placed on the continued provision of services for public sector bodies. This means that whilst considering financial resilience issues for VFM work, for the accounts purposes, continued provision of services can be assumed to take place.

Auditors identified a number of recommendations for the council as a result of issue identified during the audit. Particularly, in response to the risks found during testing of IT General Controls, auditors advised that management should follow the recommendations outline in the IT General Controls report. The fixed asset register identified 123 assets that have a Net Book Value of nil. The recommendation is that management should undertake a review of assets that have a nil Net Book Value to see if they are still in use and if depreciation policies are appropriate.

There was a delay in providing the audit team with appropriate year end reconciliations for the school account. It was recommended that management should provide complete reconciliations that reconcile the schools ledger balance to the statement as at 31 March.

Under the pension fund ledger, it was recommended that it was configured in a way that it minimises there level of manual adjustments needed to reduce the risk of manual error in the account statements.

The issues raised from the audit of 2019/20 resulted in 3 recommendations being reported in the previous year's Finding's report- all of which management implemented.

It was asked why the dates and paperwork that were needed for the payroll migration work were not available or appeared to not be accessible. It was responded that this was due to staff changes as a number of project managers and people who were on the project board who subsequently left the Council, and the audit trail was unable to be recreated.

The unadjusted misstatements reported were discussed briefly for approval. The auditor clarified that they are extrapolations rather than actual errors, so they would not recommend amendments. Members agreed to approve.

The report was noted.

2. LBL response to Grant Thornton Findings

The Head of Corporate Resources presented this report.

Management have accepted the recommendations from Grant Thornton. A fuller report will be brought to the next Audit Panel with full responses which will enable the Panel track the progress of the actions.

The report was noted.

3. Post-audit Statement of Accounts 2020/21- Main Accounts

The statement of accounts for the main accounts and pension fund were shared in draft and were published for public inspection in July. There were no formal questions raised from this as a result. The versions presented at this meeting were updated with the adjustments that Grant Thornton reported earlier. They were presented at this meeting for completeness.

The Chair recommended the Panel approve the letters of recommendation and the adoption of the accounts at full Council. The Panel voted in favour of this recommendation.

The report was noted.

4. LBL Group Letter of Representation 2020/21

This report was noted and the recommendation agreed.

5. LBL Pension Fund Letter of Representation 2020/21

This report was noted and the recommendation agreed.

6. Post-audit Statement of Accounts 2020/21- Pension Fund Accounts

This report was noted and the recommendation agreed.

The meeting finished at 7.50pm