

**MINUTES OF THE MEETING OF THE AUDIT COMMITTEE,
HELD ON THURSDAY, 13TH FEBRUARY, 2025 AT 10.55 AM
IN THE TOWN HALL, STATION ROAD, CLACTON-ON-SEA, CO15 1SE**

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| Present: | Councillors Sudra (Chairman), Steady (Vice-Chairman) and Morrison |
| Also Present: | Emma Larcombe (External Auditor (KPMG)) and Jodie Preston (External Auditor (KPMG)) |
| In Attendance: | Richard Barrett (Director (Finance and IT) & Section 151 Officer), Karen Hayes (Executive Projects Manager (Governance)), Ian Ford (Committee Services Manager), Craig Clawson (Internal Audit Manager), Maddie Adger (Leadership Support Manager) and Katie Koppenaal (Committee Services Officer) |

61. APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

Apologies for absences were submitted on behalf of Councillor Fairley and Councillor Platt (with no substitutions appointed).

62. MINUTES OF THE LAST MEETING

It was moved by Councillor Sudra, seconded by Councillor Steady and:-

RESOLVED that the Minutes of the meeting of the Committee, held on 30th January 2025, be approved as a correct record and be signed by the Chairman.

63. DECLARATIONS OF INTEREST

There were no declarations of interest by Councillors in relation to any item on the agenda for this meeting.

64. QUESTIONS ON NOTICE PURSUANT TO COUNCIL PROCEDURE RULE 38

On this occasion no Councillor had submitted notice of a question pursuant to Council Procedure Rule 38.

65. REPORT OF DIRECTOR (FINANCE & IT) - A.1 - STATEMENT OF ACCOUNTS 2023/24 AND ASSOCIATED PLANNING, ANNUAL AND YEAR END REPORTS OF THE EXTERNAL AUDITOR

The Committee considered a report of the Director (Finance & IT) (A.1) which presented for consideration and approval the following, to enable the final opinion on the accounts a value for money arrangements to be formally issued by the External Auditor:

- *The External Auditor's External Audit Plan & Strategy for the year ending 31 March 2024;*
- *The External Auditor's Annual Report for the year ended 31 March 2024;*
- *The External Auditor's Value for Money report 2023/24;*
- *The External Auditor's Year End Report for the year ended 31 March 2024;*

- *The Council's Statement of Accounts (including Annual Governance Statement) for 2023/24 for consideration and approval for publication by the backstop date of 28 January 2025.*

Members were informed that, in-line with the backstops dates previously discussed, the Council's External Auditor had substantially completed the necessary audit work for 2023/24, with their associated audit reports attached.

As set out in their reports, the External Auditor anticipated issuing a disclaimed opinion for 2023/24. Later in their reports and within the attached External Auditor's reports, the reason for the disclaimed opinion primarily related to the back stop dates.

Members were reminded that, the Council's Statement of Accounts for 2023/24 were attached, which reflected any necessary amendments agreed in consultation with the External Auditor.

In respect of the External Auditor's value for money commentary, in terms of two of the three associated strands of work (financial sustainability and improving economy efficiency and effectiveness) the External Auditor had confirmed that they had not identified any significant weaknesses. In terms of the third strand of work (governance) they had identified a weakness that primarily related to the known issue relating to the Spendells House capital project.

It was reported that the External Auditor had made a limited number of recommendations as highlighted within their reports, including those associated with the Spendells House project mentioned above. Management responses had been set out within the External Auditor's attached reports and updates against each recommendation would be presented to future meetings of the Committee.

Members were advised that subject to the Committee's consideration of the various attached reports, and approval of the Statement of Accounts for 2023/24 (including the Annual Governance Statements) it was proposed to publish the Accounts by the backstop date of 28 February 2025.

In respect of the required management representation letter included within the recommendations in the Officer's report, this was provided directly at the meeting to enable the Audit Committee to approve it along with authorising the Director for Finance & IT and the Audit Committee Chairman to sign it before being forwarded onto the External Auditor. Members noted that in the report, the External Auditor did not currently plan on requesting any specific representations over and above those areas normally covered by their 'standard' letter.

Members were informed of two adjustments required to the Statement of Accounts compared to the version included in the Agenda which were as follows:-

1. Additional text to be added to the Balance Sheet note on page 175-176 of the Agenda

"In preparing the figures for 2023/24, it is important to highlight an issue that has emerged relating to specialised assets that are valued at the 31 March 2024. The Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 states that for specialised assets where no market exists, the current value should be interpreted as

the present value of the assets' remaining service potential, which can be assumed to be at least equal to the cost of replacing that service potential. Under these circumstances, property, plant and equipment is measured at depreciated replacement cost (DRC). In terms of the assets held by the Council that fall within this category, these would broadly be leisure centres and public conveniences.

As highlighted within the Statement of Accounts, the Council employs an independent external valuer to determine the value of the Council's assets at the balance sheet date. A key element of the calculation reflects their associated professional guidance, which in respect of specialised assets includes the size and specification of a replacement building. In turn, a gross internal area (GIA) multiplied by a cost per square metre forms part of the underlying calculation of such values. It is understood that for 2023/24, the gross external area (GEA) was used rather than the GIA.

The value of the assets subject to the above is £20.355m (based on GEA) which has been reflected within the Council's balance sheet as at the 31 March 2024. Based on further exploratory work as part of the associated external audit process, it is unclear as to the overall impact of the above on the carrying value of the assets and the revaluation reserve.

In the context of the above, it has not been possible to amend the balance sheet values with evidenced based figures given the time constraints on publishing the Statement of Accounts for 2023/24 by the statutory deadline of the 28 February 2025 highlighted earlier. For transparency and completeness the intention of this note is to draw the reader's attention to this issue, with work remaining on-going to inform the balance sheet figures for 2024/25 that will be published later in 2025. This matter has also been highlighted within the Annual Governance Statement that forms part of these Statement of Accounts."

2. Additional text to be added to the Annual Governance Statement under "Other Governance Issues" on page 274 of the Agenda

"As highlighted within the Narrative Statement, an issue emerged during the External Audit of the 2023/24 accounts that relates to the balance sheet values of specialised assets that are required to be valued at depreciated replacement cost (DRC) as specified by The Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

It is acknowledged that the value of such assets may not have been correctly reflected within the Council's balance sheet as at the 31 March 2024 but it has not be possible to amend the balance sheet values with an adequately evidenced based figure given the time constraints on publishing the Statement of Accounts for 2023/24 by the statutory deadline of the 28 February 2025. This is an important governance matter and the Council is exploring options with the aim of addressing the issue within future year's accounts."

Emma Larcombe of KPMG, the Council's outgoing Appointed Auditor, led the Committee through five attachments to the Director's report which were:-

Attachment 1 – External Auditor's External Audit Plan & Strategy for the year ending March 2024.

Attachment 2 – External Auditor’s Annual Report for the year ended 31 March 2024.

Attachment 3 – External Auditor’s Value for Money Report (2023/24)

Attachment 4 – External Auditor’s Year End Report for the year ended 31 March 2024.

Attachment 5 – The Council’s Statement of Accounts 2023/24 for Publication (Including Annual Governance Statement).

| <u>Summary of Questions asked by Members</u> | <u>Summary of Answers Received</u> |
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| Are the fees going to be set by the PSAA and are you going to use that as a guideline? | [Ms Larcombe] The fees are discussed with the Section 151 Officer and then submitted to the PSAA and have done so with no dispute. |
| Can you guarantee there will be no backlogs? | [Ms Larcombe] We are already planning for 2024/25 and can assure you that any backstop dates will be met. |
| Can you outline the importance of materiality? | [Ms Larcombe] There are many factors to determine what level to assess the accounts to. This includes an assessment on expenditure risk. |
| Are there any other authorities that have been/are going through this audit process? | [Ms Larcombe] The issues encountered are specific to Tendring District Council, such as PPE. |
| Once the Property Plant Evaluation has been completed, will things become easier? | [Richard Barrett] That is correct. |

It was moved by Councillor Sudra, seconded by Councillor Steady and:-

Unanimously **RESOLVED** that, in respect of the 2023/24 Statement of Accounts and the associated External Auditor Reports relating to the year ended 31 March 2024, the Audit Committee:

- (a) Notes the contents of the External Auditor’s reports attached, including the value for money commentary set out therein;
- (b) Endorses the management responses set out within the attached External Auditor’s reports and requests Officers to report the progress against each item to future meetings of the Committee;
- (c) Approves the management representation letter relating to the year ended 31 March 2024;
- (d) Authorises the Director Finance & IT and the Audit Committee Chairman to sign the management representation letter relating to the year ended 31 March 2024;

- (e) Approves for publication the audited Statement of Accounts for 2023/24, as amended and approves for signing, the Annual Governance Statement set out therein, subject to any further minor amendments that may be agreed with the External Auditor; and
- (f) In respect of (e) above, authorises the Director (Finance and IT), in consultation with the Audit Committee Chairman to make any such adjustments that may be necessary before publication.

The meeting was declared closed at 11.27 am

Chairman