

**MINUTES OF THE MEETING OF THE AUDIT COMMITTEE,  
HELD ON MONDAY, 30TH NOVEMBER, 2020 AT 2.06 PM  
THE MEETING WAS HELD IN ACCORDANCE WITH PROVISIONS OF SI 2020/392.**

<b>Present:</b>	Councillors Coley (Chairman), Alexander (Vice-Chairman), Fairley, King, Placey, Steady and M Stephenson
<b>In Attendance:</b>	Richard Barrett (Assistant Director (Finance and IT) & Section 151 Officer), Richard Bull (Corporate Finance Manager & Deputy Section 151 Officer), Ian Ford (Committee Services Manager), Debbie Bunce (Legal and Governance Administration Officer), Debbie West (Finance Assistant) and Matt Cattermole (Communications Assistant)
<b>Also in Attendance:</b>	Lisa Clampin (Engagement Lead – BDO LLP, the Council's appointed External Auditor)

**8. APOLOGIES FOR ABSENCE AND SUBSTITUTIONS**

Apologies for absence were submitted on behalf of Councillor Miles (with Councillor M E Stephenson substituting).

Councillor Stephenson informed the Committee that he had not received recent training on audit matters as required under Council Procedure Rules 34.3 and 34.4. However, he had been advised by Officers that he could participate in the meeting and ask questions etc. but that he would not be allowed to take part in the voting on any report(s) before the Committee.

**9. MINUTES OF THE LAST MEETING**

The Minutes of the last meeting of the Committee held on 1 October 2020 were approved as a correct record.

**10. DECLARATIONS OF INTEREST**

There were no declarations of interest made on this occasion.

**11. QUESTIONS ON NOTICE PURSUANT TO COUNCIL PROCEDURE RULE 38**

There were no Questions on Notice on this occasion.

**12. REPORT OF THE ASSISTANT DIRECTOR (FINANCE & IT) - A.1 - EXTERNAL AUDITOR'S AUDIT COMPLETION REPORT FOR THE YEAR ENDED 31 MARCH 2020**

There was a report submitted by the Council's Assistant Director (Finance & IT) (report A.1) which presented:-

- (i) the Annual Governance Statement 2019/20 for approval;
- (ii) the External Auditor's Audit Completion Report for the year ended 31 March 2020 (which included the management representation letter, for consideration and

approval, in order to enable a final opinion on the accounts and value for money arrangements to be formally issued by the External Auditor; and

- (iii) the Statement of Accounts 2019/20 for consideration and approval for publication by the end of November 2020.

It was reported that the pre-audited Statement of Accounts for 2019/20 had been approved for publication by the Council's Section 151 Officer (the Assistant Director (Finance & IT)) at the end of August 2020.

Members were reminded that each year the Council's External Auditors were required to prepare an annual report setting out the outcomes from their review of the Statement of Accounts (including the Annual Governance Statement) and the Council's value for money arrangements. The Audit Committee was then required to consider the content of that annual report and approve for publication the final audited Statement of Accounts and Annual Governance Statement.

The Committee was advised that a draft management representation letter which set out certain management representations was included within pages 48 to 50 of the External Auditor's Audit Completion Report. The Audit Committee were also required to separately approve this letter and to authorise the Assistant Director (Finance & IT) and the Chairman of the Committee to sign it before it was forwarded on to the External Auditor.

Once the above tasks had been completed the External Auditor would conclude the audit by finalising and formally issuing their audit opinion along with the certification of the accounts.

#### (1) STATEMENT OF ACCOUNTS 2019/2020 AND EXTERNAL AUDITOR'S AUDIT COMPLETION REPORT

The Committee was informed that, although the External Auditor had substantially completed their audit of the 2019/20 accounts a small number of activities remained outstanding (as set out on page 40 of the External Auditor's Audit Completion Report). However, it was the External Auditor's current intention to issue an unqualified audit opinion in respect of the Financial Statements and on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources.

However, a number of improvements/adjustments had been required (with further details set out on pages 20 and 23 of the Audit Completion Report). A number of those adjustments had related to the need to highlight the potential impact of COVID-19 on the Council's financial position and resilience. It was highlighted that the Annual Governance Statement had already reflected on this matter and as part of the associated actions, it would form an important element of the Internal Audit Plan in 2020/21 and 2021/22.

It was, however, noted that those adjusted items did not have a direct impact on the overall 2019/20 financial position of the Council.

The Committee was further informed that, in respect of other matters arising, the External Auditor had made three recommendations which were set out on pages 31 and 32 of their Audit Completion report. These had been agreed by Officers and updates on

the progress made on carrying out those recommendations would be provided as part of the usual Table of Outstanding Issues Reports that were presented to each ordinary meeting of the Committee.

Members were made aware that one of the three recommendations made related to financial reserves and budgets carried forward from prior years. Although a number of specific reserves had been highlighted within the Auditor's report, the underlying issue, as described by the Auditor, was about ensuring their on-going validity and that it could be demonstrated that they were held at a level that optimised service delivery without unacceptable risk exposure. Officers felt that this was a timely observation as similar discussions had already taken place within the Council over recent weeks and work was now underway to explore and identify the additional external resources required to take forward/deliver the Council's associated activities and priorities in 2021 and beyond.

Members were advised that, in order to conclude the Statement of Accounts process for 2019/20, the Committee was required to consider the Audit Completion Report for the year ending 31 March 2020, approve the management representation letter and approve the final Statement of Accounts for 2019/20, which included the adjustments mentioned above. Then, subject to the agreement of the aforementioned recommendations and the completion of the External Auditor's outstanding work final Statement of Accounts for 2019/20 would then be published by the end of November 2020 deadline.

## (2) ANNUAL GOVERNANCE STATEMENT 2019/2020

The Committee was informed that the pre-audited Annual Governance Statement 2019/2020 had been approved for publication by the Council's Management Team at the end of July 2020. Since that time the statement had been subject to some minor amendments. Appendix A to the Officer's report therefore set out the revised Annual Governance Statement 2019/20.

As a consequence, the Annual Governance Statement was now submitted to the Committee for its consideration and approval which would include the necessary authorisation for the Chief Executive and the Leader of the Council to sign it on behalf of the Council.

Lisa Clampin, Engagement Lead, attended the meeting on behalf of the Council's External Auditor, BDO LLP, formally presented its Audit Completion Report to the Committee and, in addition, gave updates to Members where matters had moved on since the report had been submitted to the Council on 19 November 2020 and responded to the Committee's questions thereon. Matters touched on by Ms Clampin included:-

- a) Outstanding Matters;
- b) Anticipated 'Emphasis of Matters' regarding material valuation uncertainties in respect of 'Other Land and Buildings' within Property, Plant and Equipment and 'Property' assets within the Local Government Pension Scheme Assets due to the impact of Covid-19;
- c) An unadjusted audit difference of £805,000 (projected downward estimate) relating to HRA property valuations which was not material and which it was agreed would be recorded as an uncorrected difference;
- d) Audit Risks Overview;

- e) Valuation of Non-Current assets;
- f) Narrative Report – Identification of minor areas for follow up and potential amendment;
- g) Whole of Government Accounts – submission of the relevant section of the assurance statement to the National Audit Office by 4 December 2020 deadline;
- h) Sustainable Finances & Use of Resources – Potentially over-prudent approach of the Council not achieving the best use of the Council's resources for the benefit of the Council Tax payer given its history of large underspends and the significant amount of accumulated reserves; and
- i) Follow up of prior year deficiencies.

The Committee was reminded that, as mentioned above, the work of the External Auditor remained in progress with a small number of actions outstanding. Further issues could therefore emerge and delegated authority was consequently sought for the Assistant Director (Finance & IT), in consultation with the Chairman of the Committee to enable these to be reflected in the final management representation letter and / or the Statement of Accounts before publishing.

Having considered and discussed all of the information submitted:-

It was moved by Councillor Alexander, seconded by Councillor Fairley and:-

**RESOLVED** that –

1. in respect of the External Auditor's Audit Completion Report for the year ended 31 March 2020, the Audit Committee:
  - (a) notes the contents of that report including the adjustments to the Statement of Accounts as set out on pages 20 and 23 of that report;
  - (b) approves the management representation letter, as set out on pages 48 to 50 of the External Auditor's Audit Completion Report;
  - (c) authorises the Assistant Director (Finance & IT) and the Chairman of the Committee to sign the management representation letter for forwarding to the External Auditor;
  - (d) approves for publication the audited Statement of Accounts for 2019/20, amended for the adjusted items identified; and
  - (e) authorises the Assistant Director (Finance & IT), in consultation with the Chairman of the Committee, to make amendments to the management representation letter for forwarding onto the External Auditor and / or Statement of Accounts 2019/20 before publication, if further changes are recommended by the External Auditor following the completion of the outstanding areas of their work.
2. in respect of the Council's Annual Governance Statement 2019/20, the Audit Committee:
  - (a) approves the revised Annual Governance Statement, as set out in Appendix A to item A.1 of the Report of the Assistant Director (Finance & IT); and

- (b) authorises the Chief Executive and the Leader of the Council to sign, on behalf of the Council, the approved Annual Governance Statement.

NOTE: In accordance with the provisions of Council Procedure Rule 19.5, Councillor M E Stephenson requested that he be recorded in the minutes as having abstained from the voting on Councillor Alexander's motion.

The meeting was declared closed at 2.47 pm

**Chairman**