

<b>Present:</b>	Councillor Geoff Ellis ( <i>in the Chair</i> )
<b>Councillors:</b>	Laura McWilliams, Thomas Dyer, Gary Hewson, Jackie Kirk, Rebecca Longbottom and Bill Mara
<b>Independent Member:</b>	Jane Nellist
<b>Apologies for Absence:</b>	None.

**71. Confirmation of Minutes - 24 September 2020**

RESOLVED that the minutes of the meeting held on 24 September 2020 be confirmed.

**72. Matters Arising**

Jane Nellist, Independent Member referred to minute number 63 regarding the deletion of IT accounts when staff left the authority and asked if the Data Protection Officer was aware that a recommendation had been made by the external auditors?

Response: No she was not aware at that point as the report had only recently been issued, the external audit recommendations would be addressed through a specific action plan.

Councillor Longbottom, referred to minute number 63 and asked when the most popular type of Freedom of Information Requests would be reported to Committee?

Response: They would be reported to a future meeting when the Data Protection Officer was next in attendance.

**73. Declarations of Interest**

No declarations of interest were received.

**74. Assessment of Going Concern Status**

Colleen Warren, Financial Services Manager

- a. presented a report to inform the Audit Committee of an assessment of the Council as a going concern for the purposes of producing the Statement of Accounts for 2019/20.
- b. explained the background of the report as detailed at paragraph 2 and advised that the concept of 'going concern' assumed that an authority, its functions and services would continue in operational existence for the foreseeable future.
- c. advised that the report set out the position of the City Council and provided justification for the 2019/20 financial statements being prepared on a 'going concern' basis.

d. highlighted the main factors which underpin the assessment were:

- The Council's current financial position
- The Council's projected financial position
- The Council's balance sheet
- The Council's cash flow
- The Council's governance arrangements
- The regulatory and control environment applicable to the Council as a local authority.

e. detailed the Council's current Financial Position and highlighted the following areas:

- General Fund
- Housing Revenue Account (HRA)
- Covid-19

f. further detailed the following:

- The Council's Projected Financial Position – Revenue Resources
- The Council's Balance Sheet as at 31<sup>st</sup> March 2020
- The Council's Cash Flow
- The Council's Governance Arrangements
- The External Regulatory and Control Environment
- Material Uncertainties

g. advised that it was considered that having regard to the Council's arrangements and such factors as highlighted in the report that the Council remained a 'going concern' and the Council's accounts for 2019/20 had appropriately been prepared on this basis. The report gave that assessment by the Council's Section 151 Officer in support of presenting the Accounts for approval and provides assurance to Mazars, the Council's external auditor.

Question: Referred to the financial report being considered by Executive at the next meeting and asked if the report reviewed only 2019/20 financial year and could you provide assurance for the long term?

Response: The report also covered future financial years, there were plans in place to increase the savings targets, with a report to Executive on 23<sup>rd</sup> November setting this out. Balances and reserves would have to be used over the short term but it would level out over the years.

Question: Referred to section 2.14 of the report and asked if the Governance arrangements included the political and decision making process?

Response: The corporate governance framework was set out in the full Annual Governance Statement, this did cover the political and decision making process.

Question: Referred to paragraph 2.16 of the report in relation to additional valuations being required and asked if there was an extra cost?

Response: Internal valuers would be used, there would not be any extra cost to the Council, but there were still resource implications.

Question: Some income streams were reducing, how could certainty that the Council would be in a good financial position be given for next year.

Response: In the current climate financial planning was extremely difficult, there was currently a lot of volatility and uncertainty. It was difficult to forecast going forward, we have to use the best information that we have available to us and continue to review it.

RESOLVED that the outcome of the assessment of the Councils going concern status for the purpose of preparing the Statement of Accounts 2019/20 be accepted.

## **75. External Audit: Audit Completion Report**

Mark Surridge, representing the Council's external auditors, Mazars:

The Council's external auditors presented the audit progress report which summarised the findings from the 2019/20 audit.

He advised that it was unlikely that his Audit report would be issued by 30 November 2020 due to a potential delay in the receipt of sufficient audit evidence supporting the judgements made in the valuation of property, plant and equipment. This was exacerbated by recent staff sickness in their audit team creating last minute capacity pressure.

The work on the financial statements and Value for Money conclusion for the year ending 31 March 2020 had been substantially completed. He highlighted the following matters that were outstanding:

- Property, plant and equipment and Investment Properties
- Pensions
- Income & Expenditure cut – off Debtors
- Audit Quality Control Completion Procedures.

As part of the audit, the internal controls in place relevant to the preparation of the financial statements had been considered, with three recommendations resulting from this work made as follows:

- IT General Controls
- Expected Credit Loss Model
- Asset Valuation inputs

Further details of these recommendations were outlined in section 4 of the external auditors' report at Appendix A.

In relation to misstatements in the accounts, there were a number of misstatements identified that were above the threshold level of £49,000, all of which were adjusted for as part of the audit process and had been reflected in the Statement of Accounts. Other thresholds for specific areas were highlighted in the report. Further details of these misstatements were provided in section 5 of the auditors' report at Appendix A. It was reported that there were no unadjusted misstatements.

The Statement of Accounts included on the agenda for this meeting at item 5 reflected a fully amended version of the document.

It was reported that the Council had proper arrangements in place for securing economy, efficiency and effectiveness. The external auditors therefore proposed issuing an unqualified opinion on the Council's value for money arrangements.

As part of presenting this item, the external auditors took the Committee through each page of the report and highlighted any key issues, particularly with regard to:

- the audit approach;
- significant findings;
- internal control recommendations;
- summary of misstatements;
- value for money conclusion.
- Management Representation Letter

Question: Referred to the IT controls recommendation and asked if there had been any incidents of inappropriate access to the systems?

Response: Not that we were aware of, it was recommended as there was a risk that the systems could be accessed.

Question: Expressed concern that the Councils assets could not be used to borrow money against.

Response: Clarified that the Council could not borrow money against their assets and this did not affect the Councils ability to borrow money, instead it borrowed money from the Public Works Loans Board.

Comment: The Council could not continue to use money from its reserves without replacing it.

Response: There was a financial strategy in place which identified the need to increase savings, work had already commenced on developing a comprehensive savings programme. Replenishment of any reserves used in the short term would be essential over the medium term.

Question: Referred to the appendix D of the report and commented that there were a lot of adjustments, was this unusual?

Response: Some of the adjustments were as a result of 1 item meeting multiple areas which visually overstated the number of adjustments. It was difficult to compare the number of adjustments year on year but there had been an improvement. The external auditors did not feel the need to make a formal recommendation.

It was RESOLVED:

- (1) That the financial statements be recommended to Council for approval.
- (2) That the draft letter of representation on behalf of the Council be approved, before the external auditors issue an opinion, conclusion and certificate, and that any further amendments to the letter, should any additional issues be raised by the external auditors prior to 30 November 2020 be delegated to the Chief Finance Officer and Chair of the Audit Committee, which any changes reported back to the Audit Committee.

- (3) That any further changes that may be required to the Statement of Accounts as identified during the conclusion of the audit, be delegated to the Chief Finance Officer and Chair of the Audit Committee, with any changes reported back to the Audit Committee.

## **76. Statement of Accounts**

The Council's Chief Finance Officer:

- (a) presented the Statement of Accounts for the financial year ended 31 March 2020.
- (b) reported that the Statement of Accounts for 2019/20 provided a comprehensive picture of the Council's financial circumstances and were compiled to demonstrate probity and stewardship of public funds.
- (c) reported that the Council was statutorily required to publish its Statement of Accounts for 2019/20 with an audit opinion and certificate by no later than 31 July 2020. Following the COVID-19 pandemic the statutory dates were amended with publication of the accounts required by 31<sup>st</sup> August and an audit opinion and certificate required by 30<sup>th</sup> November 2020.
- (d) asked committee to note that the Statement of Accounts for 2019/20, at the time of writing the report, were still subject to conclusion of the external audit by the Councils external auditors Mazars.
- (e) advised that any further changes required to the Statement of Accounts, arising from the conclusion of the external audit, would be agreed by the Council's Chief Finance Officer and reported back to the Chair of Audit, and would be included in the Statement of Accounts to be submitted to Executive and Council for final approval.
- (e) reported that the Council must make the Statement of Accounts available for public inspection for 10 working days. Following notification from the Council's external auditors, this ran from 1 September 2020 until 15 January 2020 and the external auditor was available to answer questions during this period. It was reported that no questions had been received.
- (f) reported that the Council was required to provide a documented annual review of the effectiveness of its governance arrangements which sat alongside the Statement of Accounts, known as the Annual Governance Statement. The overall level of assurance provided in 2019/20 was substantial and was in line with the Council's Code of Corporate Governance.
- (g) noted, that there were three defined significant issues. In respect of IT Disaster Recovery there was one action outstanding from 2018/19, and this would be regularly reported by management to the Audit Committee. In respect of 2019/20 there were two additional significant issues identified, the Review of the Impact of Coronavirus on the Councils service delivery and embedding new ways of working and Vison 2025 needed to be re-profiled and communicated to a wider audience in the light of COVID-19 . These would be regularly reported by management to the Audit Committee.

(g) presented the following aspects of the Statement of Accounts:

- the Comprehensive Income and Expenditure Statement;
- the Balance Sheet;
- general balances;
- earmarked reserves;
- liquidity;
- debtors;
- creditors;
- non-current assets;
- pensions;
- officer remuneration;
- borrowing;
- investments.

(h) invited members' questions and comments.

Councillor Dyer referred to paragraph 1.3 of the Annual Governance Statement and requested that it be recorded that he did not agree with the current call-in procedure and commented that it was not fit for purpose.

It was RESOLVED that the Statement of Accounts be recommended to Council for approval, with any further changes to the Statement of Accounts arising from the conclusion of the external audit being delegated to the Chief Finance Officer who will report any such changes to the Chair of the Audit Committee.

## **77. Audit Committee Work Programme**

John Scott, Audit Manager:

- a. presented a report to inform members of Audit Committee on the work programme for 2020/21 as detailed at Appendix A of the report.
- b. advised that the frequency of meetings had been reviewed and revised to take into account impacts relating to the pandemic and was considered appropriate for 2020/21.

RESOLVED that the contents of the Audit Committee work programme 2020/21 be noted.