

Minutes of: **AUDIT COMMITTEE**

Date of Meeting: 20 December 2021

Present: Councillor M Hayes (in the Chair)
 Councillors S Butler, U Farooq, I Gartside, J Rydeheard,
 M Smith and S Wright

Also in attendance: Amelia Salford - Mazars

Public Attendance: No members of the public were present at the meeting.

Apologies for Absence: Councillor B Mortenson and Councillor M Whitby, Karen Murray - Mazars

AU.1 DECLARATIONS OF INTEREST

Councillor Steve Wright declared a personal interest in any item relating to schools in the Borough as his wife is employed at a local school.

AU.2 NOMINATION OF CHAIR

Delegated decision:

That Councillor Hayes be nominated as Chair for this meeting.

AU.3 FINAL AUDITED ACCOUNTS

Sam Evans, the Council's S.151 Officer presented a report setting out the Council's Statement of Accounts 2020/2021. In accordance with the Accounts and Audit Regulations 2015 (as amended by the Accounts and Audit (Amendment) Regulations 2021) the Draft Statement of Accounts 2020/21 was signed by the Executive Director for Finance, S151 Officer on 21st July 2021 ahead of the 31 July 2021 deadline. It was explained that the Audit Committee is required to consider and approve the audited accounts before they are published, and publication must take place as soon as reasonably practicable after the audit opinion has been received.

The year-end audit, carried out by the Council's External Auditors Mazars, commenced on 4th October 2021 and has been substantially concluded at the time of writing this report. This report details the changes made to the Statement of Accounts arising from the findings of the audit to date.

There are a number of adjustments to the Statement of Accounts arising from the findings of the audit. One of these adjustments affected the Outturn reducing the underspend for 2020/21 by £3.341M. The Council's outturn has changed from a £2.538M surplus pre audit to a £0.822M deficit post audit

The updated Statement of Accounts is available at Appendix B The main adjustments to the statements are outlined below, with further details in Appendix 1:

- a. Investment Properties – It was identified during the audit that an additional piece of land, which is leased had not been included by the valuer in their report. This led to the accounts being £0.605M understated on the balance sheet and therefore the accounts were adjusted to include this.
- b. There has been a change in regulations which allows us to create an unusable reserve for the dedicated Schools Grant (DSG) deficit. A revision to the accounts to reflect this was made following the draft version of the accounts. This is a time limited amendment to the regulations.
- c. Covid Grants received – The full value of the Covid Grant received and related expenditure had been posted to the Debtor and Creditor accounts rather than the net position as either a debtor or creditor. This was amended to reflect the correct accounting.
- d. Housing Benefit Overpayment Debtor – The HB Overpayment debtor is calculated as a movement from the previous year. The movement had been correctly accounted for, but the starting position was not aligned to the external system. This was corrected to ensure not only the movement but the starting and closing positions were aligned. This caused an impact to the outturn and reduced it by £3.341M
- e. PPE – Classification of Assets. A number of assets were incorrectly classified as investment properties when they should have been classified as other land and buildings within PPE. These Assets have been reclassified.
- f. HRA dwellings were Valued at 1st April 2020 as required and an increase in value between this date and 31st March 2021 is required to be calculated. This adjustment was originally omitted in error but has since been included which increases the value of HRA properties on the balance sheet
- g. Assets are held on our fixed asset register and depreciated in accordance with their category and life. It became apparent that in some cases this life was incorrect, and a review of asset lives was undertaken and a recalculated value of depreciation used. This adjustment included adjustments to the Movement in Reserves Statement, Comprehensive Income and Expenditure Statement and Capital Adjustment Account but resulted in no change to the outturn.
- h. Academisation of Schools. When a school converts to an academy the land and building must transfer to the academy and the council must treat this transfer as a disposal of PPE assets. two schools converted during 2020/21 but the draft accounts only held the details of one. The second conversion has now been reflected in the accounts.
- i. Internal Recharges. The council undertakes internal recharges to ensure the full cost of services are accounted for. Following a review by the finance team they identified £4.9M of income and expenditure which had been incorrectly classified as internal recharges. This was corrected following the review.

The full details of adjustments to the statements and notes are detailed in Appendix 1.

Unadjusted Audit Differences

Provisions – Sample testing of the provisions identified a provision which should have been reclassified as a reserve. This will be reclassified during 2021/22. This error has been extrapolated across the provisions balance to suggest the value of misstatement may be £1.569M

Gross Expenditure – Sample testing of the expenditure identified an error of £20,000 which was classified as expenditure but should have been classified as a reduction in income. This error has been extrapolated across all expenditure to suggest the value of misstatement may be £0.584M

We have not corrected the accounts on either of these audit differences because:

- a. They are below the materiality level both individually and in aggregate.
- b. They were extrapolated rather than identified in full.

Statement of Accounts

The Statement of Accounts is a complex document and the layout and information provided are defined by statutory requirements. The key issues that should be drawn to the attention of Committee were presented at its meeting on 20th December 2021. A copy of this is available at Appendix B.

The Members of the Committee were invited to ask questions and make comments and the following points were raised:

- Councillor Gartside referred to the figures set out at 13 of the report in relation to an identified error of £20,000 and asked whether further audit work should be undertaken in relation to this.

Sam Evans explained that this was a small value in relation to the overall statement of accounts.

Amelia Salford from Mazars explained that the external auditors had looked at a sample around this and were satisfied with the outcome. It was still below the materiality threshold. Amelia suggested that further work could be carried out but it would have to be done from a Council management perspective or through Internal Audit.

- Councillor Rydeheard referred to the fact that the Audit Committee was being asked to defer the approval to the Chair of the Committee and stated that he would not be happy to go down this route. Councillor Rydeheard suggested that the meeting be reconvened once the outstanding work had been completed.
- Councillor Butler referred to the Covid grants that had been received from Government and asked whether the amount received was sufficient.

Sam Evans reported that the monies had been received and were being used. The full impact of pandemic could yet be fully known.

- Councillor Butler referred to the basic errors that had been highlighted within the report and asked how confident the management team and Mazars were that all mistakes had been identified.

Sam Evans explained that a different approach had been carried out by both Mazars and the Council and the audit had been extended to dig deeper .

Amelia Salford from Mazars reported that her team had spent longer on the audit due to the issues that had been identified.

Sam Evans reported that an Interim Chief Accountant was due to commence work at the Council and he would be ensuring that all processes were in place to make sure that the issues raised would not happen again and that the documents produced was of the highest standard possible.

Members of the Audit Committee were asked to delegate the approval of the Statement of Accounts to the Chair of the Committee once the outstanding work had been completed.

The Members of the Audit Committee were unable to agree that this be the way forward and asked that this meeting be adjourned to a later date when the Committee could reconvene.

Delegated decision:

That the Meeting be reconvened at the earliest date possible in the new calendar year.

AU.4 AUDIT COMPLETION REPORT

Amelia Salford, External Audit Manager at Mazars presented a report setting out the work that had been carried out to date in relation to the External Auditor's Audit Completion work.

Amelia went through the report and highlighted issues that had been raised and responses that were provided.

It was explained that the work was substantially complete and there were no matters of which Mazars were aware that would require modification of the audit opinion subject to the outstanding matters set out within the report.

Those present were given the opportunity to ask questions and make comments and the following points were raised:

- Councillor Rydeheard referred to the collection fund statement within the status of the audit section of the report and the comments in relation to income and asked for more information in relation to this.

Amelia explained that this work was now complete and no adjustments were required.

- Councillor Butler whether there were any subsidiaries of the Council included within the accounts.

Amelia reported that there were 3 subsidiaries included within the Audit approach and these were listed in the report.

- Councillor Wright referred to the fact that there had been extra work undertaken by Mazars to complete their Audit and asked if this would affect the fee.

Amelia explained that Mazars had not yet assessed this but they would report the fee to the Committee at a future meeting.

- Councillor Butler referred to the issue that had arisen in relation to the valuation of Council properties and the requirement for an external valuer to be commissioned due to the loss of supporting records.

Councillor Butler asked how this had happened.

It was explained that the employee had left the authority and had not handed over the documents, when contacted he was unable to locate or advise where they were. It was felt that to ensure that the information provided was correct another valuation was required.

- Councillor Gartside referred to the group accounts audit and the fact that this was still to be completed.

Amelia explained that each of the subsidiaries had their own external auditors and Mazars consolidated their accounts into the Councils.

It was anticipated that this would be completed on 21 December 21.

Member of the Committee were asked to delegate approval of the report to the Acting Chair of the Committee.

Those present felt that they could not agree to this and asked that the Meeting be reconvened at the earliest date possible in the new calendar year.

Delegated decision:

That the Meeting be reconvened at the earliest date possible in the new calendar year.

COUNCILLOR M HAYES
Chair

(Note: The meeting started at 7.00 pm and ended at 8.40 pm)