

Minutes of: **AUDIT COMMITTEE**

Date of Meeting: 3 December 2024

Present: Councillor E Moss (in the Chair)
Councillors A Arif, S Arif, D Berry, M Hayes, J Hook and
M Rubinstein

Also in attendance: Karen Murray and Amelia Stafford, External Audit, Neil
Kissock, Director of Finance, Simon Peet, Chief Accountant,
Jacqui Dennis, Director of Law & Governance, Phil Llewellyn,
Democratic Services Manager.

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

Apologies for Absence: Councillor I Gartside and Councillor S Haroon

AU.39 APOLOGIES FOR ABSENCE

The Chair welcomed all to the meeting.

Apologies had been received from Councillors Gartside (substitute Councillor Bernstein) and Haroon.

AU.40 DECLARATIONS OF INTEREST

No Declarations of Interest had been received.

AU.41 STATEMENT OF ACCOUNTS 2021/22 AND 2022/23, VALUE FOR MONEY REPORT (RELATING TO 2021-2022 ACCOUNTS AND 2022-2023 ACCOUNTS) AND EXTERNAL AUDIT OPINION REPORT

Ahead of the update from Karen Murray, Neil Kissock presented a report which outlined the background relating to the Statement of Accounts 2021/22 and 2022/23 and legislated statutory backstop dates of 13th December 2024 and the relevant documents that needed to be published:

- The Statement of Accounts together with the Audit Opinion and any certificate
- The Annual Governance Statement
- The Narrative Statement (the Council includes these within the Statement of Accounts)

Neil Kissock referred to the Statutory Recommendation relating to the 2021/22 accounts to be issued by the External Auditor and advised that the Council would issue its response and Action Plan and that a special meeting would be arranged early in the New Year for the response and Action Plan to be considered.

Karen Murray in presenting the Audit Completion Report referred to the less than exemplary preparation of reports historically, changes of personnel and lack of corporate memory at the Council, and advised that in terms of 2021/22, Forvis Mazars had been unable to complete the audit as originally planned, in advance of the backstop date of 13th December. As previously reported, the external auditors needed information relating to the potential presence of

Reinforced Autoclaved Aerated Concrete (RAAC) in Council buildings, which the Council had been unable to provide all the information required ahead of the deadline, and without this information, the value of Property, Plant and Equipment could not be confirmed as correctly reflected in the financial statements. This matter was considered pervasive to the financial statements and assurance was unable to be obtained required and as such Forvis Mazars intended to disclaim its audit report.

In summary, the audit work had identified a number of significant weaknesses in the Council's arrangements for ensuring financial sustainability, governance and for improving the economy, efficiency and effectiveness of services, highlighting particularly the Council's failure to:

- Properly understand its financial position during 2021/22 and to continue to rely on the use of reserves to support the provision of services
- Manage risks, including with respect to the existence of RAAC in the Council's estate
- Improve internal controls so that weaknesses were identified and reported to management by Internal and External audit and other regulators are addressed promptly
- Prepare materially accurate financial statements; and
- Secure action to improve services to children

Therefore, under Paragraph 2 of Schedule 7 of the Local Audit and Accountability Act 2014, it was recommended that the Council should, as a matter of urgency, develop a single Council-wide improvement plan to reflect the transformation and culture change needed across all Council departments to deliver the range, level and quality of services that is financially sustainable. Appropriate management and member oversight is required to ensure the improvement plan is delivering changes that are embedded in the organisation.

The recommendations would be sent to the Secretary of State for Housing, Communities and Local Government on 12th December 2024, with the Council required to consider the recommendation at a meeting held before the end of the period of one month beginning with the day on which the recommendations were sent to them. At that meeting, the Council needed to decide what action, if any, to take in response to the recommendations. The Council was also required to publicise the meeting and, subsequently, the decision taken at the meeting.

In terms of 2022/2023, as there was insufficient time to complete the audit work and obtain required evidence, a disclaimer of opinion on the Council's financial statements would be issued.

Members discussed the reports, in particular the background and position relating to RAAC, and the poor reflection of the Council in both Audit Opinion reports.

Members also discussed the Value for Money report submitted, which mirrored the findings in the Audit Opinion reports for 2021/2022 and 2022/2023.

The Committee discussed the process for the Council's response to the Statutory Recommendations, with the Chair confirming that the response to them and Action Plan would be considered by a Special Meeting of the Audit Committee on 9th January 2025.

Ahead of approval of the recommendations in the report, the Chair and Neil Kissock advised of an additional recommendation as follows:

2.11 Note the Value for Money report submitted by the External Auditors relating to the 2021/2022 Statement of Accounts and the 2022/2023 Statement of Accounts.

It was agreed:

That the Audit Committee:

- 2.1 Note the 2021/22 Management Representation Letter.
- 2.2 Note the 2021/22 External Audit Opinion.
- 2.3 Approve the 2021/22 Statement of Accounts and Annual Governance Statement.
- 2.4 Delegate authority to the Director of Finance (S151 Officer), to sign the 2021/22 Management Representation Letter.
- 2.5 Delegate authority to the Chair of the Audit Committee and Director of Finance (S151 Officer) to sign-off the 2021/22 Statement of Accounts and Leader and Chief Executive to sign-off the 2021/22 Annual Governance Statement.
- 2.6 Note the 2022/23 Management Representation Letter.
- 2.7 Note the 2022/23 External Audit Opinion.
- 2.8 Approve the 2022/23 Statement of Accounts and Annual Governance Statement.
- 2.9 Delegate authority to the Director of Finance (S151 Officer), to sign the 2022/23 Management Representation Letter.
- 2.10 Delegate authority to the Chair of the Audit Committee and Director of Finance (S151 Officer) to sign-off the 2022/23 Statement of Accounts and Leader and Chief Executive to sign-off the 2022/23 Annual Governance Statement.
- 2.11 Note the Value for Money report submitted by the External Auditors relating to the 2021/22 Statement of Accounts and 2022/2023 Statement of Accounts

AU.42 2023-2024 DRAFT STATEMENT OF ACCOUNTS AND ANNUAL GOVERNANCE STATEMENT

It was reported that in accordance with the Accounts and Audit Regulations 2015 (as amended) the 2023/24 Draft Unaudited Statement of Accounts were signed by the Interim Deputy Chief Finance Officer (acting S151 Officer) on 31 May 2024 by the deadline and published on the Councils website. However, the Annual Governance Statement was not available by the 31 May 2024 deadline, therefore the Council had been unable to commence the 30-working day period for the Exercise of Public Rights and a delay notice was published on the Council website.

The Accounts and Audit (Amendment) Regulations 2024 came into force on the 30 September 2024, this legislated the statutory backstop dates, including the 2023/24 Statement of Accounts of 28 February 2025. To comply with the backstop date legislation the Council had to publish accountability statements on the website by this backstop date, accountability statements needed to include:

- The Statement of Accounts together with the Audit Opinion and any certificate.
- The Annual Governance Statement.
- The Narrative Statement (the Council includes this within the Statement of Accounts)

To achieve the statutory backstop date of the 28 February 2025, the Council was required to commence the 30-working day period for the Exercise of Public Rights, no later than 16 January 2025. Whilst there is no longer a requirement for those charged with governance to approve the Draft Unaudited Statement of Accounts and Annual Governance Statement, Audit Committee were asked to consider and note the updated 2023/24 Draft Unaudited Statement of Accounts and Draft 2023/24 Annual Governance Statement ahead of the commencement of the Period for the Exercise of Public Rights. Neil Kissock advised that the final version of the reports would be submitted to the February meeting of the Audit Committee.

The Chair suggested that the Annual Governance Statement (AGS) should contain more narrative on Project Safety Valve, which contained only a one line comment, but which was detailed far more in the Statement of Accounts, and Neil Kissock agreed to include more detail in the final AGS.

Neil Kissock also advised that in terms of the revenue outturn for Children and Young People and an overspend, savings had been identified, but there had been a higher than expected growth in demand, and that more growth in demand would be built in going forwards to reflect demand.

It was agreed:

That the 2023/24 Draft Unaudited Statement of Accounts and 2023/24 Draft Annual Governance Statement be noted.

Ahead of closing the meeting, the Chair gave a brief update on the recruitment of Independent Co-opted Members, advising that two suitable candidates had been identified, following discussions with Neil Kissock and himself, and that a report would be submitted to Council on the appointment of both individuals, requesting Council approval. Presuming Council approval was granted, both Co-opted Members would be invited to attend the February meeting of the Audit Committee.

COUNCILLOR E MOSS
Chair

(Note: The meeting started at 7pm and ended at 8.35pm)