

**AUDIT COMMITTEE
31ST JANUARY 2022**

PRESENT: The Chair (Jane Nellist)
The Vice Chair (Councillor Parsons)
Councillors Boldrin, S. Bradshaw, Hadji-Nikolaou
and Snartt

External Auditor (Mazars)

Strategic Director
Head of Financial Services
Head of Strategic Support
Audit Manager
Democratic Support Officer (EB)

APOLOGIES: None

The Chair stated that the meeting would be recorded and the sound recording subsequently made available via the Council's website. She also advised that, under the Openness of Local Government Bodies Regulations 2014, other people may film, record, tweet or blog from this meeting, and the use of any such images or sound recordings was not under the Council's control.

42. MINUTES FROM THE PREVIOUS MEETING

The minutes of the meeting of the Committee held on 16th November 2021 were confirmed as a correct record and signed.

43. DISCLOSURES OF PERCUNIARY AND PERSONAL INTEREST

No disclosures were made.

44. QUESTIONS UNDER OTHER COMMITTEE PROCEDURES 12.8

No questions had been submitted.

45. AGENDA VARIANCE

At the approval of the Chair the following item was brought forward: External Audit – Audit Completion Report – Charnwood Borough Council – Year Ended 31 March 2021

46. EXTERNAL AUDIT - AUDIT COMPLETION REPORT - CHARNWOOD BOROUGH COUNCIL - YEAR ENDED 31 MARCH 2021

A report of the External Auditor was submitted summarising the audit conclusions during the External Auditor's audit of the Council's financial statements for the year ended 31 March 2021 (item 7 on the agenda filed with these minutes).

Mark Surridge representing the External Auditors, the Strategic Director, the Head of Strategic Support and the Head of Financial Services, attended the meeting to assist with the consideration of the item.

The Committee was advised that:

- The External Auditors were prepared to sign and close the statements as there were no concerns. However, the Audit Certificate could not yet be issued as this was formally linked to a statute on closing the audit and the required information on the whole of government accounts, had not been received. This was an issue for all local authorities and not just Charnwood Borough Council.
- Regarding the Executive Summary on Audit Opinion and Value for Money, accounts were concluded to be fair, and this was an unqualified opinion without modification. The structure of the Value for Money assessment had changed in 2021 through the Code of Audit Practice. No significant weaknesses were found in arrangements.
- The authority's arrangements for financial sustainability, informed decision making and improving economy efficiency and effectiveness were deemed adequate, which was the best outcome possible.
- Regarding the work on the Financial Statements, accounts were deemed to be true and fair.
- Risk assessment was found to be in line with other local authorities. The risks identified were not unusual or out of the ordinary. All procedures had been carried out and concluded on.
- A small number of minor matters were identified regarding internal control recommendations. Officers would be worked with to close these out in the 2021/22 audit and none of these were a cause for concern.
- Differences in the Statement above the £55,000 threshold were reported upon and an item that extrapolated to £271,000 was identified in the report. It was suggested that this was due to the way the 52-week cycle was adjusted to match the financial year and it was requested that the Committee noted the acceptance of this.
- Work was not complete on the approach to Value for Money until the new-style annual auditors report was issued. However, no significant weaknesses had been identified. The code required the report to be issued within three months of signing the Audit Opinion, as such this was a matter of timing rather than unidentified risk.
- No adjusted material misstatements had been identified for 2020/21. The accounts submitted for audit was of good quality and the external auditors had been given the full support of officers.

Councillor Snartt thanked the Officers involved for their efforts in ensuring a good result for the authority.

The Chair remarked that it was good to see the full cooperation of management and to see progress made.

The Committee were advised in response to questions that:

- An issue was identified with rental receipts from commercial properties being accounted for on a cash rather than accruals basis. This was not deemed to be a material issue by the auditors but the issue would be revisited by them in subsequent years. The Committee were further informed that such issues had been identified in other authorities. The Head of Financial Services added that the issue might be explained by this being the first year of commercialisation of leases since as part of the year-end procedures it was important to ensure the statements were shown across four quarters. The added that this would be taken forward to ensure that there would be no significant changes. The Committee were assured that if an error was found in a sample, it was applied across the accounts and as such there was no impact in terms of the General Fund. All work was complete on the issue and there were no further adjustments to the report.
- It was clarified that there was a difference in focus between external and internal audit and the two worked independently. It was further clarified that internal audit carried out full-systems audits based on recommendations. It was explained that external audit looked at whether accounts were true and fair whereas internal audit looked at reconciliations. External audit reflected on the work of the internal audit but did not rely on it.
- The external auditors did not sign off on the Leicestershire Local Government pension fund as it was audited by Grant Thornton. However, it was a materially accurate estimate. The Strategic Director added that the fund looked at underlying assets and that the fund accounts were basically correct. The Head of Financial Services added that three separate valuations on the pension fund had been taken into consideration.

The Chair drew the attention of the Committee to training slides that had been distributed to them that clarified the focusses of internal and external audit.

RESOLVED That the Committee noted the report including the acceptance of the difference in the statement of £271,000 as detailed above.

Reason

To acknowledge the Committee's consideration of this item and to note the reasons for the difference in the statement of £271,000.

The Audit Manager left the meeting during the consideration of this item.

47. ANNUAL GOVERNANCE STATEMENT 2020/21 AND REVIEW OF THE CODE OF CORPORATE GOVERNANCE

A report of the Head of Strategic Support was submitted setting out the Annual Governance Statement 2020/21 and the results of the annual review of the Council's Code of Corporate Governance (item 5 on the agenda filed with these minutes).

The Head of Strategic Support attended the meeting to assist with the discussion of the item.

The Committee were advised that the Annual Governance Statement summarised the Council's corporate governance arrangements and the review that was undertaken to confirm that they were operating efficiently and effectively along with additional recommendations for further actions required. It was reported that there were no additional actions required that were not already being carried out.

The Code of Corporate Governance detailed the corporate governance requirements. Five years previous, CIPFA and Solace provided guidance on how the Code of Corporate Governance should be produced and as such the Council had amended the Code of Corporate Governance to comply with this and arrangements had been kept up to date.

Councillor Snartt recommended that the reference to whistleblowing with regard to corruption and misuse of power within the Code of Corporate Governance be amended to include a specific reference to fraud.

In response to a question from Councillor Snartt, it was clarified that the officer code of conduct was part of the constitution and approved by Council. It followed the national code of conduct and therefore was seen as fit for purpose. Attention was also drawn to the disciplinary procedure for officers who broke the code of conduct.

In response to a question from Councillor S. Bradshaw, it was confirmed that the web page containing information on transparency could be found via a search engine.

The Chair drew attention to some inconsistencies including the role of the Audit Committee being different to that in the Committee's Terms of Reference. She further suggested that the report could include a table showing the different policies and which part of the Annual Governance Statement they covered. It was further suggested that Mazars could provide examples of good practice for the presentation of the Annual Governance Statement. Annual Governance Statement.

Councillor Snartt suggested that Freedom of Information Act requests could be included in the Annual Governance Statement.

The Chair suggested that new issues could be added more easily if it was presented as a table. She clarified that suggested changes for the presentation of Annual Governance Statement were for next year's Statement rather than the current one.

RESOLVED

1. That the Annual Governance Statement be approved.
2. That the updated Code of Corporate Governance be approved with an amendment to include a specific reference to fraud with regard to whistleblowing on corruption and misuse of power.

Reasons

1. So that the Annual Governance Statement can be finalised and signed by the Leader of the Council and the Chief Executive in accordance with the required timescales.
2. To ensure that the Code of Corporate Governance is kept up to date and complies with best practice.

48. STATEMENT OF ACCOUNTS 2020/21

A report of the Head of Financial Services was submitted setting out the Council's Statement of Accounts 2020/21 (item 6 on the agenda filed with these minutes).

The Head of Financial Services, the Strategic Director, the Head of Strategic Support and Mark Surridge representing the External Auditors attended the meeting to assist with the consideration of the item.

The Committee were advised that statutory accounts were in line with the CIPFA code of practice. Attention was drawn to the changes from 2019 within the report.

The Head of Financial Services thanked the accountancy team for supplying Mazars with the paper.

The Committee were advised in response to questions that:

- In theory, the deficit of the collection of business rates should cause nil impact as the Council should be compensated for business rates relief. The issue was complicated by the fact that Section 31 money should go into the fund to match the rates, however, it went directly into the reserves thus leaving a deficit in the collection fund. Central government advised about how the deficit should be spread and how the account should work as well as how the deficit should be closed. It was thought that the difference over the 3-5 year period should not be material. There was a one-off Covid-reserve set up for 7,346,000 to offset the deficit.
- In terms of year-end figures, compensation of commercial difference would be examined and it would be ensured that there were 12 months or four quarters in the accounts.
- A legal dispute with a contractor had been reviewed also the amount that the claim included had been reviewed. This was not considered to be a material liability from the Head of Service and the external auditors had been provided with emails and working papers to reflect this. The numbers and the name of the contractor had been omitted to protect the organisation. Figures would not be included in the accounts as they were in legal proceedings. The event was contingent on an act that had not yet taken place and as such there was insufficient evidence to put the numbers in the statement. If the dispute resulted in the Council having to make the payment then it would have to be put in the accounts, but it would not be a material amount from an accounts perspective.

- Budgets were monitored throughout for both Income and Expenditure and filter to Finance and Performance Scrutiny as well as being separately audited and externally audited. In terms of assurance they were a robust set of account that tallied to the Unit 4 System.
- Regarding whether movement of money in and out of reserves was based on policy or circumstance, it was clarified that there was no general policy on when money was moved in and out of reserves, and usually occurred in response to circumstances. However standard custom and practice operates in respect of the Reinvestment Reserve which is topped up to a £500k on a regular basis (subject to the working balance having sufficient capacity) to allow ongoing funding for 'spend to save' activities.

The Chair raised issues with the lack of clarity in the narrative of the Statement of Accounts, highlighting that the narrative needed to explain issues to people who did not necessarily have an accounting background. It was suggested that Mazars could look into best practice and this could be taken into account for next year's Statement of Accounts.

RESOLVED

1. That the Statement of Accounts for the year ended 31st March 2021 be approved and that the Chair (as Presiding person) be authorised to sign the accounts on behalf of the Audit Committee.
2. That the Letter of Representation be approved for signature by the Chief Financial Officer.

Reasons

1 & 2. To comply with the Accounts and Audit (England) Regulations 2015.

NOTES:

1. No reference may be made to these minutes at the next meeting of Full Council unless notice to that effect is given to the Democratic Services Manager by five members of the Council by noon on the fifth working day following publication of these minutes.
2. These minutes are subject to confirmation as a correct record at the next meeting of the Audit Committee.
3. The Audit Manager joined the meeting remotely.