

**Minutes of a meeting of Audit Committee
held on Tuesday, 17th November, 2020
from 5.00 pm - 5.38 pm**

Present: M Pulfer (Chair)
R Cromie (Vice-Chair)

A Boutrup

S Hicks

L Stockwell

Absent: Councillor M Cornish

1. ROLL CALL AND VIRTUAL MEETING EXPLANATION.

The Chairman introduced the meeting and took a roll call of Members in attendance.

The Legal Officer explained the virtual meeting procedure.

2. TO RECEIVE APOLOGIES FOR ABSENCE.

Apologies were received from Cllr Cornish.

3. TO RECEIVE DECLARATIONS OF INTEREST FROM MEMBERS IN RESPECT OF ANY MATTER ON THE AGENDA.

None.

4. TO CONFIRM THE MINUTES OF THE MEETING HELD ON 15 SEPTEMBER 2020.

The Minutes of the meeting of the Committee held on 15 September 2020 were agreed as a correct record and signed by the Chairman.

5. TO CONSIDER ANY ITEMS THAT THE CHAIRMAN AGREES TO TAKE AS URGENT BUSINESS.

The Chairman had no urgent business.

6. AUDIT RESULTS REPORT 2019/20.

Kevin Suter, Ernest & Young Associate Partner, introduced the report and thanked the Council's Finance Team for their assistance with this year's audit especially given the current Covid-19 environment which made auditing more difficult.

Jack Dunkley, Ernest & Young External Auditor, highlighted three main areas of note. He referred to P.14 which noted that the audit for the year ended 31 March 2020 was complete and that the two outstanding items usually are completed after the Audit Results Report is presented to the Committee. He then referred to P.21 which highlighted the work of EY Real Estates review of the Council's investment properties which identified a net difference of £6.9m on the property valuations. He finally referred to P.25, confirmed that EY had looked at management's forecast of next 12

month period and underlying assumptions that goes with it as well as the disclosures management made in the accounts to check there were in line with the standard; EY found the assessment to be reasonable, assumption to be well supported and the disclosures were in line with the standard.

The Chairman thanked EY for the supportive words on the Council's collaboration with them.

A Member sought clarification on the how the difference in property valuation was arrived at and enquired what learning can be taken from it to ensure future valuations would match the yield.

The Ernest & Young External Auditor confirmed that the focus is on the key assumptions regarding yield and future income which is sense-checked and compared against published benchmarks such as Knight Frank.

The Member then asked whether there is an internal system to utilise the information going forward.

Peter Stuart, Head of Corporate Resources, confirmed that the difference of valuations is a result of differences in opinions. The initial valuations from Wilks Head & Eve was put into the Statement of Accounts in good faith and that EY sense-checked the valuations and submitted a different value to theirs. He added that the property valuation is only a 'book value' and that it would likely change next year.

A Member referred to the uncorrected misstatement of £112k identified in the pension assets and questioned whether it is a profit or a loss and whether the Council is content that this is a misstatement with no further adjustments to be made.

The Head of Corporate Resources replied that the asset value has been understated by £112k compared to the total liabilities of £15m however it is only a matter of opinion of the Council's portion of the County Council pension fund. He added that the figure was not changed as it's a non-material change to the overall accounts and that the change would require a large amount of reprinting and recalculating in the Statement of Accounts.

The Chairman noted that no Member wished to speak so moved to the recommendation to receive the report which was approved unanimously.

RESOLVED

The Audit Committee received the report.

7. FINANCIAL STATEMENTS 2019/20.

Peter Stuart, Head of Corporate Resources, introduced the report which presented the Financial Statements to the Committee for approval. He noted the Finance Team's move to a new fully cloud-based Tech1 Financial System which has made work during the pandemic much easier. He thanked the Finance Team for their hard work in the last 6 months.

A Member referred to the heading Employee Benefits Accrual listed on P.66 and sought clarification as to whether £146,000 is a normal figure and if the Council has accrued the cost of the staffing at the Leisure Centres.

The Head of Corporate Resources confirmed that the figure is always around £110,000 so whilst £146,000 is higher than usual it is however not alarming. He highlighted that the figure may be higher next year as officers have been working at home more and had fewer opportunities to take leave during lockdowns. He added that the cost of the staffing at the Leisure Centres fell within the financial year 2020/21 therefore it would not be included in the Statement of Accounts before the Committee.

The Member referred to P.77 and noted that the 'Impairment' expenditure value had decreased however asked whether the Council was expecting that to increase due to the Covid-19 Pandemic. She also referred to P. 87 and the revaluations heading and sought an understanding as to how the fair value was arrived at.

The Head of Corporate Resources confirmed that written answers would have to be provided to the Member outside of the meeting.

The Member referred to the Contingent Liabilities on P.114 and enquired whether the NHS Trust Business Rates feature in the accounting figures.

Cathy Craigen, Business Unit Leader for Finance, confirmed that the Contingent Liabilities aren't included in the figures of the accounts as the reference is only for Members to note.

The Member asked if there was any indication on what the figure of NHS Trust Business Rates is as she noted a reference in the report that it may not come to anything, but the Council would have to work on the basis that it does.

The Business Unit Leader for Finance confirmed that figure has not been quantified as it hasn't reached the stage of doing and therefore is only noted in the Accounts however the figure will be included when it can be quantified.

A Member noted the post balance sheet for the Leisure Centres which were signed off in August and assumed that the figures for reopening the Centres are not included in the Accounts.

The Head of Corporate Resources confirmed that the costs of reopening the would be included in the Statement of Accounts 2020/21.

The Chairman noted that no Member wished to speak so moved to the recommendation to approve the Financial Statements which was approved unanimously.

RESOLVED

The Audit Committee approved the Financial Statements.

8. INTERNAL AUDIT - MONITORING REPORT 6TH NOVEMBER 2020.

Chris Bower, Senior Internal Auditor, introduced the report which sought to update the Committee on the progress of the 2020/2021 Internal Audit Plan and to report on the progress made in implementing previously agreed recommendations.

A Member sought further detail on the purchase orders that were not recorded on the Contract Register and the proposed solution to ensure that it doesn't occur again.

Tom Clark, Head of Regulatory Services, confirmed that the requisite forms were completed however they were not able to be recorded on the Contract Register. He added that there will be greater checks on the contracts and that a computer upgrade would allow the legal officer concerns to add the purchase order onto the Contract Register themselves.

A Member enquired whether the payments of the purchase orders not recorded on the Contract Register were single payments or reoccurring payments.

The Senior Internal Auditor explained that they are single unit payments.

The Member then enquired whether we know why the payments were made to the organisations as it could be open to fraudulent activities.

The Head of Regulatory Services confirmed that the £1.375m to Southern Water Services Ltd relates to money passed from Central Government to stop bad smells coming from their plant to encourage housebuilding and the Balfour Beatty Construction Limited for cabling.

The Chairman noted that no Member wished to speak so moved to the recommendation to receive the report which was approved unanimously.

RESOLVED

The Committee received and noted the report.

9. COMMITTEE WORK PROGRAMME 2020/21

Tom Clark, Head of Regulatory Services, introduced the Committee's Work Programme which noted business for the next meeting of the Committee on 2 March 2021.

A Member noted two outstanding items that he would like to be brought to the next Committee to ensure that sight is not lost on them; update on the counter-party comparisons and the use of ethical investment.

Peter Stuart, Head of Corporate Resources, believed that the Contract Register had already been discussed the counter-party comparisons and the ethical investments would be provided in the Annual Investment Strategy 2021/22 to 2023/24 due to be before the Committee on 2 March 2021 and then would be put before a meeting of the Council.

The Chairman noted that no Member wished to speak so moved to the recommendation to note the Work Programme which was approved unanimously.

RESOLVED

The Committee noted the Committee's Work Programme.

10. QUESTIONS PURSUANT TO COUNCIL PROCEDURE RULE 10.2 DUE NOTICE OF WHICH HAS BEEN GIVEN.

None.

The meeting finished at 5.38 pm

Chairman