

AUDIT COMMITTEE

MINUTES OF THE MEETING HELD ON: 08 September 2021

ATTENDING

Councillors:

Councillor Chapman (Chairman)	Councillor Elliot
Councillor Silwal	Councilor Townsend
Councillor SO.Mahmood	Councilor Symington
Councillor Birnie	

Outside Representatives:

DBC Officers:

James Deane Corporate Director (Finance & Operations)
Fiona Jump Group Manager (Financial Services) (FINANCIAL SERVICES)
Ben Trueman Group Manager (Technology & Digital Transformation)
Marie Sells, Member Support Officer

Grant Thornton

Paul Cuttle

TIAA

Philip Lazenby

The Meeting commenced at. 19:30

No.	AGENDA ITEM
1	APOLOGIES FOR ABSENCE Apologies received from Nigel Howcutt.
2	MINUTES OF THE PREVIOUS MEETING Cllr Birnie noted he was not listed as an attendee, this will be corrected by the clerk. The Minutes of the previous meeting were review and agreed

	<p>Cllr Birnie commented on an item raised in June regarding estimates and related disclosures and noted that it had been said a response to the audit committee's enquiries would be provided in due course. It was confirmed that this matter would be taken away and that a response would be provided.</p> <p>Cllr Symington noted a comment in the minutes made by Cllr Birnie regarding a wider discussion on grants and that a paper would come to the audit committee to address this issue. Cllr Symington highlighted that an answer wasn't supplied and that this will be carried over as another item.</p>
3	<p>DECLARATIONS OF INTEREST</p> <p>There were no Declarations of Interest.</p>
4	<p>PUBLIC PARTICIPATION</p> <p>There were no items of public participation.</p>
5	<p>FINAL OUTTURN REPORT 2020/2021</p> <p>Fiona Jump presented the final outturn report, noting that they remain unchanged from the provision answer with a reported deficit of £2.358m to be funded from the recovery reserve. Entries for the pension costs and collection fund have now been finalised and, subject to approval of the audit committee, the same provisional answer will continue. The provisional answer for the housing revenue account is reporting a surplus of £362k, though following finalisation of the pension cost account, it is requested that the committee recommends to council an additional transfer of £876k in reserves to HM Revenue.</p> <p>Cllr Birnie noted the HRA surplus of £362k and asked if this was due to some water charge refunds still being outstanding. Fiona Jump confirmed that the full cost of water charges are accounted for in the final outturn position and provision has been put aside for former tenants.</p> <p>Cllr Birnie commented on the variance for SPAE in table 1 and it was confirmed by FIONA JUMP that the £34k is considered trivial in the general context.</p> <p>A question was raised regarding the funding equalisation reserve and whether this number was likely to move significantly. Fiona Jump explained that it is particularly high this year due to the council receiving a particularly high level of grant funding from the government to compensate for the deficit on business rates as a result of the pandemic. FIONA JUMP advised that this transfer would be required almost immediately to repay central government in the current and future financial years. It was also noted that there is also a push from the LGA and local government lobbying groups to highlight that this is a temporary solution and should therefore not reflect finances.</p> <p>In response to a question by Cllr Birnie on the £12.346m transfer, FIONA JUMP confirmed that almost all of this is supported by government grants.</p> <p>Cllr Symington commented on the late arrival of the papers and that committee members</p>

had been given very little time to reflect on this item. This was noted, however the papers were available online from the Wednesday of the previous week, this was checked and confirmed by several officers and the clerk.

Cllr Birnie queried the £62k deficit on page 15 of the report and asked how this compared to the provisional outturn presented during the June meeting. Fiona Jump advised that there has been no change on the capital programme for the position of the provision outturn. Cllr Birnie noted the level of slippage in the table and asked if the deficit would have been £9.4m had this slippage not occurred. Fiona Jump clarified that this wasn't the case and that slippage wouldn't increase the variance to budget.

Cllr Townsend referred back to the £12m funding equalisation and asked why they were not reflecting a provision if this amount is to be paid to central government and the accounts are closed. Fiona Jump stated that this was per the guidance issued by CIPFA.

Cllr Symington asked if table 2 under point 4.1 refers to the current budget for this year or last year before the slippage. Fiona Jump confirmed that it refers to the 2021 budget and that they would ensure the financial year was stated in future reports.

Cllr Symington noted the collection fund accounting rules as outlined under point 2.3 and asked for further clarification on these. Fiona Jump explained that an assumption is made in advance of the financial year, and either the difference is paid if there is a deficit or the received if surplus at the end of that year. Fiona Jump added that they summarise these as timing differences with the numbers balanced the following year.

In response to a question from Cllr Chapman on the garage project, James Deane explained that they currently have 1k leads in terms of demand so are now looking to identify areas where there is a concentration of demand and a set of void garages.

The Committee confirmed the review of the financial outturn for 2020/21 (appendices A and B).

The Committee approved the reserve movements as set out at 5.4: a contribution to the Funding Equalisation Reserve of £12.436m and a further transfer of £876k to the HRA revenue commitments reserve to support future HRA service priorities.

The Committed confirmed the review of the capital programme outturn for 2020/21 (appendix C).

The Committee confirmed the review of the final balances on earmarked reserves as at 31st March 2021 (appendix D).

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STATEMENT OF ACCOUNTS AND LETTER OF REPRESENTATION

James Deane commended all those involved, particularly the finance team and those at Grant Thornton, for all their work on this item.

Fiona Jump provided an overview of the statement of accounts, noting that it comprises of the comprehensive income and expenditure statement, movement in reserves statement, balance sheet and cash flow statement. The comprehensive income and expenditure statement shows that the council made a net loss of £35m during the last

financial year, which was mainly driven by the loss of the pension liability, and is also reflected in the movement in reserves statement.

Paul Cuttle presented the draft audit findings report, stating that the report was issued last week and the intention is to issue an unqualified opinion on the financial statements in advance of the 30th September deadline. Paul Cuttle noted the items of most significance as creditor testing, which should be closed soon, and the evaluation of PPE, which will have an immaterial adjustment of £1m that will be noted in the report but not updated in the accounts.

Paul Cuttle confirmed that the proposed audit opinion is an unqualified audit report, though the uncertainty around the valuation of land and buildings was highlighted, as explained on page 130 of the report, and this will be reflected within the opinion. Paul Cuttle noted that the value for money approach has now changed and has therefore been decoupled from the opinion. The auditor's annual report is due 3 months after the financial statements audit and the intention is to have this delivered within the expected timeline.

Cllr Townsend queried the £1m immaterial difference and the timing difference on the valuation of property. Paul Cuttle clarified that the balance of properties is under the £1m valuation approach and is based on an estimate using indices with the evaluation made on 31st January on an asset-by-asset approach. It was noted that the headline figure is £3m and trivial is £150k, and therefore £1m will not impact the overall opinion but a reference will be made to the non-adjustment.

Cllr Symington noted the additional work on creditors. Paul Cuttle confirmed that there is work outstanding on some creditor listing issues though this isn't a concern on balances. In response to a further question from Cllr Symington on calculating creditor days, Paul Cuttle advised that they take this into account and will challenge though they wouldn't assess in the same way as for debtor days.

Cllr Birnie commented on the £1bn of assets and asked if the £64.8m is the value of the council's investment properties. Paul Cuttle confirmed this, adding that there is a level of uncertainty on these assets due to Covid-19, which is referenced in the accounts.

In response to a question regarding whether any fraudulent activity had been found, Paul Cuttle confirmed that it is not their responsibility to find fraud though they didn't identify any perpetrated by management or external parties whilst undertaking audit procedures.

The portfolio holder for finance and resources reassured the councillors on investment properties, noting that they have no borrowings against a number of their properties and that there is a good spread of shops vital to the local neighbourhood.

The Committee confirmed their review of the statement of accounts 2020/21.

The Committee approved the Letter of Representation.

The Committee approved the statement of accounts for 2020/21.

7	<p>EXTERNAL AUDIT FINDINGS REPORT</p> <p>It was noted that this was covered under item 6 of the agenda.</p>
9	<p>STRATEGIC RISK REGISTER UPDATE Q1</p> <p>James Deane took the report as read.</p> <p>Cllr Townsend queried how the strategic risk register coincides with the terms of reference for the Audit Committee and suggested that these items were for the Overview and Scrutiny Committees. James Deane explained that the cabinet is in charge of delivering the corporate plan and that strategic risks come to the Committee to therefore hold the cabinet to account, with operational risks then going to Overview and Scrutiny Committees.</p> <p>In response to a question on whether the council had faced any cyber-attacks during the pandemic, Ben Trueman confirmed that while the council is under constant threat, they haven't been compromised by a cyber-attack for a number of years.</p> <p>Cllr Symington commented that it would be beneficial to see where amendments have been made to the register. James Deane stated that significant changes will appear in the report and if there has been no material change then a brief description of the quarter will be given, he agreed to update the report to make this clearer in future.</p> <p>Cllr Townsend requested that their comments and suggestions be provided to cabinet, adding a recommendation that cabinet should look to isolate key risks and provide a narrative report. James Deane suggested that the area of focus is the risk, impact and mitigations being taken, and therefore to assess if the council is doing enough to reduce the risk. Cllr Townsend asked if they could have a narrative to help isolate key strategic points that would work as headlines rather than a list of items. James Deane agreed to look at the request and see how this could be done.</p> <p>Cllr Birnie noted that the council is in the process of taking in Afghan refugees and that the impact on housing hasn't been included.</p> <p>Cllr Birnie commented on the council's involvement in proposals for development where they are not in control of financing and are therefore reliant on bids, suggesting that mitigations need to be in place. James Deane explained that this flows down to the service plans where the aim is to reflect the corporate ambition and deliver on investment and infrastructure.</p> <p>Cllr Symington observed the siloed nature of the risk register and suggested that the lack of a holistic approach means they aren't delivering the services that residents want. James Deane advised that while each cabinet member is responsible for a particular risk, the risk is owned collectively by cabinet. Cllr Elliot added that cabinet meet frequently and that they are all aware of each other's portfolios.</p> <p>Cllr Townsend requested reassurance that comments would be fed back to cabinet. JD</p>

	<p>agreed that he would look to reflect this back to cabinet during the next quarterly report.</p> <p>The Committee noted the report.</p> <p>The work programme was reviewed and agreed</p>
9	<p>WORK PROGRAMME</p> <p>Fiona Jump confirmed that this would be brought to the next meeting.</p> <p>Cllr Townsend noted that an internal audit report on the planning process had been missing from the paperwork in the meeting on 23rd June and asked when this would be provided. Cllr Symington confirmed that the report was still missing on modern.gov and instead there was a duplication of another report. James Deane confirmed that he would look into this as soon as possible.</p> <p>There being no further business, Cllr Chapman closed the meeting.</p>
	There being no further business the meeting ended at 21:15