

Audit Committee

Date: Wednesday, 27 July 2022

Time: 10:00

Venue: Flensburg Room

Present: Councillor Robert Betton, Councillor Pamela Birks, Councillor Jeffrey Bomford, Councillor Mrs Christine Finlayson, Councillor Neville Lishman, Councillor Mrs Linda Mitchell Councillor Ruth Alcroft (for Councillor Lucy Patrick)

Also Present: Councillor Ellis, Finance, Governance and Resources Portfolio Holder
Ms Philp, Senior Manager, Grant Thornton

Officers: Corporate Director of Governance and Regulatory Services
Corporate Director of Finance and Resources
Head of Financial Services (Deputy S.151)

AUC.35/22 APPOINTMENT OF VICE CHAIR

The Chair sought nominations for the appointment of Vice Chair of the Audit Committee for 2022/23.

It was moved, seconded and

RESOLVED - That Councillor Mrs Finlayson be appointed Vice Chair of the Audit Committee for the 2022/23 municipal year.

AUC.36/22 APOLOGIES FOR ABSENCE

An apology for absence was submitted on behalf of Councillor Patrick.

AUC.37/22 DECLARATIONS OF INTEREST

There were no declarations of interest submitted.

AUC.38/22 PUBLIC AND PRESS

It was agreed that the items in Part A be dealt with in public and the items in private be dealt with in Part B.

AUC.39/22 MINUTES OF PREVIOUS MEETING

RESOLVED - That the approval of the minutes of the meeting held on 8 July 2022 be deferred to the next meeting of the Audit Committee.

AUC.40/22 EXTERNAL AUDITOR'S PROGRESS REPORT AND SECTOR UPDATE

The Senior Audit Manager, Grant Thornton introduced herself to the Committee giving an outline of her experience in the sector.

The Senior Audit Manager reported that the External Audit was now underway, and as previously reported, there were three significant risks. Once completed the Audit would be presented to the Committee.

The Committee sought clarification with regard to the confidence in the increased valuation for assets. The Senior Audit Manager confirmed that the valuation of assets was a significant risk across all local authorities due to the pandemic and the current economic climate. She assured the Committee that the Audit would robustly challenge the work of the valuer.

The Head of Financial Services added that the Council undertook an annual valuation with an external valuer, a national valuer was used, and the valuation process was the same across the country, he confirmed that he had confidence in had the valuations had been undertaken.

A Member highlighted the Local Government Reorganisation process and questioned how this would impact on External Audit. The Senior Audit Manager reported that their role as external auditors would change over the coming months, currently their responsibility was to ensure the 2021/22 audit was complete for hand over to Cumberland Council. Grant Thornton would have to understand the process and challenges moving forward and audits would increase in complexity and size, the first year was a significant task for audit and financial services.

The Corporate Director of Finance and Resources reminded the Committee that the PSAA contract would end in 2023 and would be subject to a tender process. The role and responsibility of internal audit would remain the same. In response to a question the Corporate Director confirmed that the City Council Internal Audit team was fully resourced and she had not been advised of any resources gap or potential slippage. She added that the Cumberland Council would be required to close the 2022/23 accounts for the sovereign Councils and structures and resources would be a matter for the new Section 151 officer.

RESOLVED - That the Senior Audit Manager, Grant Thornton, be thanked for her update.

AUC.41/22 DRAFT STATEMENT OF ACCOUNTS 2021/22

The Head of Financial Services (Deputy S.151) submitted the draft Statement of Accounts 2021/22 (RD.29/22).

The Head of Financial Services reported that the Council's Statement of Accounts 2021/22 (subject to Audit) had been certified by the S.151 Officer in accordance with the revised Statutory requirements. The Accounts would be subject to audit, which must be concluded by the statutory dealing of 30 November 2022. Key issues included within the 2021/22 Statements were highlighted within the report.

- In response to questions the Head of Financial Services clarified the following:
 - Should Tullie House be transferred as a Community Asset Transfer, the collection would remain the property of the City Council, the ownership would then transfer to Cumberland Council;
 - One investigation was underway regarding whistle blowing, the Audit Services Manager would be asked to provide information on any assurances given;

- The finds from the Cricket Ground had not been included in the Tullie House collection for balance sheet or insurance purposes.

In discussing the report Members raised the following:

- A Member asked for clarification on the deficit on the local government pension scheme and the impact it would have on employees.

The Head of Financial Services explained the process for the determination of the fund, clarifying that the paragraph in the report referred to employer contributions. There would be no impact on employee contributions or on their final pension.

The Corporate Director of Finance and Resources informed the Committee that the deficit had been reduced since the last valuation and savings had been built into the budget based on the level of investment return.

- There was some concern that the building maintenance costs had not been included, a Member sought assurances that the work would be undertaken.

The Head of Financial Services reminded the Committee that the Asset Management Plan detailed the maintenance backlog on buildings, Property Services then built in the maintenance as required. The Corporate Director of Finance and Resources added that a budget for maintenance and repairs had been included in the revenue and capital budgets and was available for any repairs required.

- Had the rise in energy costs impacted the Council's budget and could resources be found to support Communities Centres with their rising costs?

The Corporate Director of Finance and Resources informed the Committee that increases to energy costs had been included in the budget, however, the increases may be more than budgeted for. Referring to the Community Centres, the Corporate Director explained that the Centres received a recurring contribution from the Council, however, no assurances could be given for the Cumberland Council budget.

RESOLVED – That the Audit Committee:

(i) noted that the 2021/22 Statement of Accounts had been certified as giving a true and fair view by the Corporate Director of Finance and Resources and they would now be subject to audit;

(ii) noted that the internal quality review of the accounts was still ongoing and that the accounts may be re-authorised for issue prior to the statutory deadline if required;

(iii) confirmed that the Committee had been appropriately briefed on how accounting estimates were used.

AUC.42/22 DRAFT ANNUAL GOVERNANCE STATEMENT 2021/22

The Corporate Director of Finance and Resources reported that the Draft Annual Governance Statement (subject to audit) for 2021/22 had been certified by the Council's S.151 Officer, Chief Executive and Leader, in accordance with statutory requirements (RD.30/22). The Statement would be formally approved following the completion of the audit process.

The Corporate Director stated that there were no areas of weakness which needed to be brought to Members attention.

RESOLVED -That the Audit Committee noted the contents of the 2021/22 Draft Annual Governance Statement, noting that the Statement would accompany the annual Statement of Accounts following the audit process.

The Meeting ended at: 10:47