

## **AUDIT COMMITTEE**

**THURSDAY 28 JULY 2021 AT 10.00AM**

**PRESENT:** Councillor Meller (Chair), Councillors Birks, Mrs McKerrell, Mrs Mitchell, Morton and Patrick.

**OFFICERS:** Legal Services Manager  
Principal Auditor

**ALSO**

**PRESENT:** Director, Audit (Grant Thornton)  
Councillor Ellis, Deputy Leader, and Finance, Governance and Resources  
Portfolio Holder

### **AUC.35/21 APOLOGIES FOR ABSENCE**

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

### **AUC.36/21 DECLARATIONS OF INTEREST**

Councillor Patrick declared an interest in accordance with the Council's Code of Conduct in respect of any reference to the Sands Centre Redevelopment. The interest related to the fact that a family member was working on the site.

### **AUC.37/21 PUBLIC AND PRESS**

**RESOLVED** – That the Agenda be agreed as circulated.

### **AUC.38/21 MINUTES OF PREVIOUS MEETINGS**

**RESOLVED** – To note that Council, on 20 July 2021, received and adopted the minutes of the meetings held on 15 March and 20 May 2021. The minutes were signed by the Chair.

### **AUC.39/21 ANNUAL AUDIT LETTER**

The Director, Audit (Grant Thornton) presented the Annual Audit Letter, the purpose of which was to summarise the key findings arising from work carried out at Carlisle City Council for the year ended 31 March 2020. Members were reminded that the detailed findings arising from Grant Thornton's audit work had been reported to the Committee in their Audit Findings Report on 20 May 2021.

The Letter recorded that Grant Thornton:

- had determined materiality for the audit of the Council's financial statements to be £1,155,000, which equated to 1.9% of the Council's gross cost of services
- had given an unqualified opinion on the Council's financial statements on 21 May 2021
- had completed work on the Council's consolidation return following guidance issued by the NAO
- had not identified any matters which required them to exercise any of their additional statutory powers were satisfied that the Council put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources

The Director, Audit (Grant Thornton) drew attention to the proposed audit fees and the proposed further increase. The proposed additional fees were a result of significant additional

work that Grant Thornton had to undertake to discharge their responsibilities, they were subject to approval by SAA in lines with the Terms of Appointment.

The committee asked the following questions during discussion:

- The zero base budgeting exercise did not seem to be realistic, was there a way of making more realistic budgets to reduce the underspends?
- Why had the costs for the Sands Centre Project increased so much?

The Deputy Leader, and Finance, Governance and Resources Portfolio Holder explained the process that was undertaken to reach the budget for the Sands Centre Redevelopment. He added that once the final price had been settled the Council entered into an agreement with the developer which placed the majority of the risk for price changes on them. The pandemic and Brexit had also added some delays to the project which impacted the budget.

- Was there a legal requirement to recalculate the MTFP based on the changes to carrying values of PPE and Investment Property?

The Director, Audit (Grant Thornton) confirmed that there was a connection, however, the values of property did not directly impact the MTFP. The main outcome of the audit challenge was VFM related and had highlighted the need for budget management arrangements including the MTFP to be very agile. Introducing robust scenario planning into short and medium term budget monitoring, managing the budget and medium term projections.

RESOLVED – That the Audit Committee noted and received the Annual Audit Letter for 2020/21 and approved the increase in fees.

#### **AUC.40/21      EXTERNAL AUDIT PLAN 2020/21**

The Director, Audit (Grant Thornton) presented the external Audit Plan for Carlisle City Council for the year ended 31 March 2021.

Members' attention was drawn to the summary provided which included the three significant risks identified and progress against prior year audit recommendations. Audit attention will also be given to the various COVID 19 funding streams to ensure the correct accounting treatment had been applied. The Audit Plan set out the revised approach to Value for Money work for 2020/21 and a timetable for the Audit Findings report and Audit Opinion and the Auditor's Annual Report.

RESOLVED – That the External Audit Plan for 2020/21 be noted and received.

#### **AUC.41/21      DRAFT ANNUAL GOVERNANCE STATEMENT 2020/21**

The Principal Auditor presented the draft Annual Governance Statement (subject to Audit) for 2020/21 which had been certified by the Council's S.151 Officer, Chief Executive and Leader, in accordance with statutory requirements.

The Principal Auditor reported on the key developments of the Council's governance framework and that there were no areas of weakness which needed to be brought to Members attention. The Internal Audit opinion of reasonable assurance on the Council's overall systems of governance, risk management and internal control for the year ended 31 March 2021 had previously been reported to Members.

The Committee found the Annual Governance Statement to be extremely informative and asked that it be circulated to all Members. The Committee also asked that future reports show the changes to the Annual Governance Statements in bold.

The Committee discussed the recent Local Government Reorganisation announcement and ask that a short statement regarding the announcement be added to the start of the Annual Governance Statement.

RESOVLED – That the Audit Committee

- 1) Noted the contents of the 2020/21 Draft Annual Governance Statement (RD.31/21)
- 2) Noted that the Statement will accompany the annual Statement of Accounts following the audit process.
- 3) Requested that a short statement regarding the Local Government Reorganisation announcement be added at the start of the Annual Governance Statement
- 4) Requested that the Annual Governance Statement be circulated to all Members
- 5) Requested that changes to the Annual Governance Statement be highlighted in bold in future reports

## **AUC.42/21      DRAFT STATEMENT OF ACCOUNTS 2020/21**

The Draft Statement of Accounts 2020/21 were submitted (RD.30/21). The revised Accounts and Audit (Amendment) Regulations 2021 reflected the revised dates for publishing and auditing the Statement of Accounts for 2020/21 and 2021/22. The new requirements changed the fixed period for public inspection (previously the first 10 working days of June) to start on or before the first working day of August and therefore the unaudited accounts must be published, at the latest, by 31 July.

The Council's Statement of Accounts 2020/21 (subject to Audit) had been certified by the S.151 Officer in accordance with the revised Statutory requirements. They were subject to audit, which must be concluded by the statutory deadline of 30 September 2021. Key issues included within the 2020/21 Statements were highlighted within the report RD.30/21 for Members attention. Appendix 3 of the report provided a first draft of the new Simplified Financial Statement as recommended in the Redmond Review. The final version would be professionally designed with the draft Audited Statement of Accounts in September.

A short briefing note had been circulated to the Committee.

*The meeting adjourned at 10.32am and reconvened at 10.37am.*

The briefing note stated that confirmation had been received from Cumbria County Council regarding the expected gains from the Cumbria Business Rates Pool. The accounts had been published on the Council's website on 22 July 2021.

The Committee was reassured by the report that the predicted negative impact of the pandemic had not affected the Council. Members commented that the Statement of Accounts was an excellent document which should be circulated to all Members.

The Committee asked for a written response to the following questions:

- Why had the Council Tax Hardship Grant Reserve not been used?
- How would the Cumbria Business Rates Pool be affected by the Local Government Reorganisation; how could the City Council ensure money still came forward?

- The Committee sought reassurance that the key risks identified would be reviewed at the earliest opportunity to take into account the potential impact of Local Government Reorganisation.
- Why was there a disparity between the Council Tax Relief Scheme figures and the increase unemployment and Universal Credit applications?

The Deputy Leader, and Finance, Governance and Resources Portfolio Holder explained that there had not been the anticipated requirement for the Grant to date, however, the furlough scheme was coming to an end and government had allowed Councils to retain their Council Tax Hardship Grant Reserve in anticipation of any negative impact. He added that the Local Government Reorganisation should make the Cumbria Business Rates Pool easier to manage as there would only be two authorities involved. In addition, resources were available for the Council to seek expert advice during the transfer process to ensure that the Council was not disadvantaged from the changes.

The Committee recommended the following amendments to the Draft Statement of Accounts:

- Inclusion of a pie chart showing the division of money to different services / functions;
- Inclusion of a short overview regarding the impact of the pandemic on funding for the Council;
- that financial abbreviations table be moved to the beginning of the document;

RESOLVED – 1) It was noted that the 2020/21 Statement of Accounts had been certified as giving a true and fair view by the Corporate Director of Finance and Resources and that they will now be subject to audit.

2) That a written response to the questions of the Committee be circulated to Members.

[The meeting ended at 10.53am]