

## **AUDIT COMMITTEE**

**Virtual Meeting held on Monday, 19th October, 2020 at 7.00 pm**

**Present:** Councillor David Walters in the Chair;

Councillors John Baird, Jim Blagden,  
Christian Chapman, Arnie Hankin,  
Kevin Rostance and Dave Shaw.

**Officers Present:** Bev Bull, Lynn Cain, Ruth Dennis, Peter Hudson  
and Mike Joy.

**In Attendance:** Michael Butler and David Hoose (Mazars).  
Mandy Marples (CMAP).

### **AC.12 Declarations of Disclosable Pecuniary or Personal Interests and Non Disclosable Pecuniary/Other Interests**

No declarations of interest were made.

### **AC.13 Minutes**

RESOLVED

that the minutes of the meeting of the Committee held on 27 July 2020, be received and approved as a correct record.

### **AC.14 Mazars: Audit Completion Report - Year Ending 31 March 2020**

David Hoose and Michael Butler presented the Audit Completion report for Mazars to those charged with governance for 2019/20.

Mazars had made significant progress regarding the audit of the Council's Statement of Accounts which was now substantially complete. It was anticipated that they would be issuing an unqualified opinion, without modification, on the financial statements and concluding that the Council had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources in relation to the Value for Money Conclusion.

The headline messages were as follows:-

#### **Outstanding Matters**

A couple of outstanding matters were highlighted regarding Pension and Property, Plant and Equipment.

No material issues have been identified from the work carried out to date regarding Pensions but part of the assurance over the net pensions' liability was derived from specified procedures commissioned from the external auditors of the Nottinghamshire Pension Fund, and the final report outlining procedures was yet to be received.

For Property, Plant and Equipment, an adjustment had been identified to the financial statements around Investment Property valuations. Mazars were currently consulting on the form of the audit opinion wording that should be used against the backdrop of COVID-19. It was expected that an adjustment would be needed to the financial statements in relation to 'material uncertainty' in property valuations caused by Covid19 and this in turn would lead to an emphasis of matter paragraph in the audit opinion.

Members did acknowledge that these outstanding matters were an issue for local authorities nationally and not a local issue being experienced by the Council.

#### Internal Control Recommendations

No new deficiencies had been identified as part of the 2019/20 financial audit and good progress had been made over the year. However, the Committee noted that one prior year control deficiency remained open and still needed to be addressed.

#### VFM Conclusion and Risk Areas

Mazars concluded that the Authority had made proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Two risks had been identified regarding Financial Sustainability and Commercialisation of Investment Properties Strategy.

As a result of the audit, no additional risks had been identified and the Council's management of both its financial sustainability and its commercialisation programme were adequate. However, in relation to the commercialisation programme the Council had been advised to revisit its commercial investment strategy to take account of the economic impact of Covid19, the potential changes in governance and regulation, and to make a formal decision to acknowledge its risk appetite given the changing circumstances.

On conclusion of the presentation, both David Hoose and Michael Butler took the opportunity to comment that despite the revised deadlines due to the Covid-19 outbreak and the difficulties encountered by the Council during the accounts preparation and audit process, the Finance Team should be acknowledged and congratulated for their resolute assistance and commitment towards achieving the necessary audit outcome.

RESOLVED that  
the Audit Completion report for 2019/20, as presented to Committee by Mazars, be duly received and noted.

#### **AC.15 Audited Statement of Accounts 2019/20**

The Council's Corporate Finance Manager (and Section 151 Officer) provided a presentation to the Committee giving details of the audited Statement of Accounts for 2019/2020 and the Chief Accountant summarised the main sections of the report.

RESOLVED that

- a) the audited Statement of Accounts for 2019/20 subject to the outcome of the Nottinghamshire County Council Pension Fund audit, be received and approved;
- b) delegated authority for the final approval of the audited Statement of Accounts for 2019/20 be granted to the Corporate Finance Manager (Section 151 Officer) subject to a satisfactory outcome of the Nottinghamshire County Council Pension Fund audit and a report back to Audit Committee with details of any changes, if required.

#### **AC.16 Independent Review into the oversight of Local Audit and the transparency of Local Authority Financial Reporting**

Committee received a report outlining the recommendations arising from the Independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting. The findings and recommendations focussed on three main areas namely, Local Audit arrangements, Governance and Financial Reporting.

Members debated the findings and recommendations and acknowledged that a further round of Audit training might be useful for Members of the Committee in the near future.

RESOLVED that

- a) the update regarding the recommendations arising from the Independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting, as presented, be received and noted;
- b) the Service Manager, Scrutiny and Democratic Services be requested to arrange some additional training for Audit Committee Members (and remaining Members if interested) in relation to ongoing audit responsibilities and Pension Fund requirements.

#### **AC.17 Audit Progress Report**

Mandy Marples, CMAP's Audit Manager, presented the report and summarised audit progress between 10 July 2020 and 5 October 2020, with one assignment having being completed during that time in relation to Rent Control. A reasonable assurance rating had been assigned and an extension to the agreed action date for the moderate risk recommendation had been given in light of the current circumstances. The low risk recommendations as outlined, had already been duly implemented.

Due to the Covid-19 pandemic, a number of changes had been made to the Audit Plan for 2020-21. Disruption to services had been caused by the lockdown, staff secondments into front-line services and increased sickness levels which had inevitably led to delays in audits and a reduction in audit coverage.

In addition, the risk profile of local authorities had been significantly affected by the pandemic with existing risks being exacerbated, including homeworking which had meant that cyber security was of increased importance.

The necessary changes to processes and procedures have also had implications for the internal control environment and in light of the above, the Audit Plan has been revisited and changed in consultation with the Director of Legal & Governance. A number of audits have also been added including Governance – Covid-19 Recovery, Business Support Grants and Financial Health and Resilience.

Members were advised that further audits might be brought back into the Plan should resources allow and CMAP had also given advice to support the Council as it faced changes to existing systems and the implementation of new systems and processes.

Members considered and briefly discussed the list of outstanding recommendations for the various service areas.

Concerns were raised that implementation of the Fire Safety Outstanding Recommendation regarding entrance doors to flats currently failing to comply with Fire Safety Regulations were long overdue. Committee were advised that the delay had been due to difficulties locating a manufacturer that produced the required standard of doors but this had now been resolved and work should be commencing in the near future.

RESOLVED that

- a) audit assignment progress as at 5 October 2020, as presented to Committee, be received and noted;
- b) the Director of Housing and Assets be requested to provide an update to the next meeting of the Audit Committee in relation to the installation of suitable entrance doors to flats currently failing to comply with Fire Safety Regulations.

The meeting closed at 8.07 pm

Chairman.