

BROADLAND AUDIT COMMITTEE

Minutes of a meeting of the Broadland Audit Committee of Broadland District Council, held on Thursday, 27 October 2022 at 10.00 am.

Committee Members Present: Cllr Grant Nurden (Chairman), Cllr Peter Bulman (Vice-Chair) and Cllr Susan Holland

Apologies for Absence: Cllr Adrian Crotch and Cllr Karen Vincent

Substitute: Nigel Brennan

Officers in Attendance: R Fincham (Assistant Director of Finance), J Brown (Finance Manager), D Staff-Howes (Corporate Accountant) and J Hammond (Democratic Services Officer)

Also in Attendance: Mr A Paylor (From Ernst & Young)

17. TO RECEIVE DECLARATIONS OF INTEREST FROM MEMBERS

No declarations of interest were received.

18. TO REPORT APOLOGIES FOR ABSENCE AND TO IDENTIFY SUBSTITUTE MEMBERS

Apologies for absence were received from Cllr A Crotch (with Cllr N Brennan substituting) and Cllr K Vincent.

19. TO CONFIRM THE MINUTES FROM THE MEETING OF THE AUDIT COMMITTEE HELD ON 22 SEPTEMBER 2022

The minutes of the meeting of the Audit Committee held on 22 September 2022 were confirmed as a correct record.

20. MATTERS ARISING THEREFROM

Cllr P Bulman arrived at the meeting during the consideration of this item.

Minute No: 7 – Annual Governance Statement 2021/22

The Chairman requested an update on whether the remaining requested changes to the Annual Governance Statement 2021/22 could be implemented.

The Assistant Director of Finance informed the Committee that all the requested changes would be made. The updated Statement would be confirmed with the Chairman of the Audit Committee, before being resigned by the Managing Director and Leader of the Council.

Minute No: 28 – Opting into the National Scheme for External Auditor Appointments

The Assistant Director of Finance updated members on the progress of the Public Sector Audit Appointments Ltd (PSAA) procurement exercise.

Members were advised that PSAA had now completed the auditor appointments and that Councils within Norfolk and Suffolk had been provisionally assigned to EY. He explained that PSAA were now holding a consultation on the proposed appointments, which would allow Local Authorities to object to the appointment, based on certain criteria. Once completed Local Authorities would receive formal confirmation of the auditor appointments.

Members highlighted the delays and poor communication experienced during the 20/21 audit and requested assurance from EY that those issues would not reoccur. Mr Paylor reassured members that changes had been made by EY to address the issues raised.

With regard to the proposed fees, members were informed that the 21/22 scale fees were fixed based on the current PSAA contract. However, for the 23/24 audit the Council could expect an estimated 150% increase in the fee rate. The exact fee rate would be confirmed at a later date.

The Assistant Director of Finance further explained that 6 accredited firms had been appointed as part of the procurement exercise and outlined the respective share of the audit work:

- Grant Thornton – 36%
- Mazars – 22.5%
- Ernst & Young – 20%
- KPMN – 14%
- Bishop Fleming – 3.75%
- Azets Audit Services – 3.25%

In response to queries on the small number of firms, Mr Paylor explained that some Auditor firms did not possess the knowledge base and/or staffing levels required to carry out the audits. He added that Public Sector Audits were often not profitable for Audit firms, but noted that the proposed 150% fee increase might make it more profitable for more firms in the future.

The Chairman advised members that due to the absence of the Head of Internal Audit, the Committee would consider the remaining matters arising from the

minutes of the meeting held on 22 September 2022 (attached at Appendix 1 of the minutes), at its next scheduled meeting.

7 - 12

21. STATEMENT OF ACCOUNTS 2020/21

The Finance Manager presented the final Statement of Accounts 20/21 to the Committee. She explained that the draft statement had been approved by the Assistant Director of Finance on 30 July 2021 and published on the Council's website.

The Accounts were also made available for public inspection from 2 August 2021 to 13 September 2021, with one inspection request received from a journalist. In response to questions, the Assistant Director of Finance explained that the journalist had requested information regarding:

- The amount of Covid relief grants paid – Officers referred them to the published data on the Councils website.
- Whether any rent holidays were awarded during the Covid pandemic – Officers advised that no 'holidays' were given, however extensions were given to allow longer to pay.

Members were then advised that, since its approval, the following changes had been made to the draft statement:

1. Reduction in pensions liability to reflect actual return on investment assets (following revised report from actuaries)
2. Net increase in property valuations
3. Correction of Business Rates Income (transferred from Council Tax income) £124k on the face of the Comprehensive Income and Expenditure Statement with no bottom line impact.

The Balance Sheet net assets had increased by £787k as a result of the audit adjustments, with the Pensions Reserve increasing by £675k and the Revaluation Reserve increasing by £112k from the draft accounts. The Finance Manager further explained that a small number of minor adjustments were also made to disclosures in the accounts.

With regard to the inclusion of a bad debt provision for sundry debtors, Members were informed that having considered EY's suggestion, it would not be included in the Statement of Accounts for 20/21. This was due to the difficulty and time required to calculate an accurate provision given the length of time which had passed, as well as the unavailability of required data. The Assistant Director of Finance assured the Committee that the absence of a bad debt provision for sundry debtors would not materially affect the Statement. He further confirmed that, as it was best practise, a bad debt provision for sundry debtors would be included in future years.

Discussion turned to the changes in property valuations. In response to requests for further clarification Mr Paylor explained that the valuations of two properties had been amended.

- EY had found inconsistencies in the floor area of one property, which resulted in the valuation decreasing by £130,900.

- EY had considered that a parcel of land had been undervalued by £242,500.

After further detailed discussion, it was unanimously

RESOLVED

To

1. Note the adjustments to the Statement of Accounts 2020/21.
2. Delegate to the Chair of the Audit Committee to sign the letter of representation alongside the Assistant Director of Finance.

22. ANNUAL RESULTS REPORT 2020/21

Mr A Paylor from EY presented the Audit Results Report and informed the Committee that EY were recommending a clean unqualified audit opinion for 20/21.

Members were reminded of the three adjustments as well as the proposed inclusion of a bad debt provision for sundry debtors, which had been discussed in the previous item.

Mr Paylor informed the Committee that EY had provided two additional recommendations with regard to internal control. These recommendations included:

- The development of an approach to consider the recoverability of receivables at the Balance Sheet date and review the need and extent of any impairment to the balance
- Reemphasis of the need to complete and submit member related party declarations.

Members were informed that two member related party declarations had not been submitted for 20/21. In response to questions, the Assistant Director of Finance explained that officers were no longer chasing the declarations for 20/21 and that for 21/22 only one declaration had not been received, which related to a member with a current dispensation due to illness. Members discussed the importance of obtaining the 22/23 declarations before the district elections in May 2023. Officers explained that the forms would be sent out in April 2023, followed by a reminder email, and follow up phone calls to any members who had not responded. Members then highlighted the need to clearly state the importance of completing/returning the declarations when sending out the forms to members.

Discussion turned to the value for money (VFM) risk assessment carried out by EY. Mr Paylor reminded members that a VFM report was brought to the Committee at its meeting in September 2021. He confirmed that EY had continued to monitor the VFM assessment and had, to date, no matters to report. He added that the final VFM commentary would be presented to the Committee in January 2023 as part of the Auditor's Annual Report.

Moving onto the 21/22 Audit, members queried when EY were due to begin the

audit work. Mr Paylor confirmed that the work was scheduled to begin the week commencing 16 January 2023 up until the end of February 2023. Members were informed that, barring any delays, EY hoped to present the Audit Results Report 21/22 to the Committee at its meeting in March 2023. In response to further questions, he explained that EY would likely continue with a hybrid approach of working, with a combination remote working and days in the Council office.

The Chairman thanked Mr Paylor for presenting his report to the Committee. He also reiterated the Committee's disappointment in the delays previously experienced and their hope for improvement in the upcoming year.

It was then

RESOLVED

To note the Audit Results Report for the year ending 31 March 2021

23. AUDIT COMMITTEE WORK PROGRAMME

The Committee considered each item within the Work Programme.

The Chairman advised that the Committee was due to consider the Draft Statement of Accounts 2021/22 at its next meeting.

Members requested that the Audit Results Report 2021/22 and formal approval of the Statement of Accounts 2021/22 be added to the Work Programme for the meeting of the Audit Committee on 16 March 2022.

(The meeting concluded at 10.42 am)

Chairman