

## Audit Committee – 5 December 2019

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Minutes of the meeting of the **Audit Committee** held on **5 December 2019** when there were present:-

Chairman: Cllr Mrs L A Butcher  
Vice-Chairman: Cllr D Merrick

Cllr T G Cutmore  
Cllr M Hoy

Cllr M J Lucas-Gill  
Cllr D J Sperring

### **APOLOGIES FOR ABSENCE**

Apologies for absence were received from Cllrs R Milne, J E Newport, Mrs L Shaw and P J Shaw.

### **SUBSTITUTES**

Cllr Mrs J R Gooding - for Cllr Mrs L Shaw  
Cllr Mrs J R Lumley - for Cllr P J Shaw

### **OFFICERS PRESENT**

N Lucas - Assistant Director, Resources  
C Cox - Principal Accountant  
S Worthington - Democratic Services Officer

### **ALSO PRESENT**

D Hanson - Ernst & Young LLP  
C Hewitt - Ernst & Young LLP

### **225 MINUTES**

The Minutes of the meeting held on 26 November 2019 were approved as a correct record and signed by the Chairman.

### **226 FINANCIAL STATEMENTS 2018/19**

The Committee considered the report of the Assistant Director, Resources presenting the audited accounts for 2018/19 for Members' approval.

Officers advised that the Council's external auditors, Ernst & Young (EY), had substantially completed their audit work and expected to issue an unqualified audit opinion and positive value for money statement in respect of the Council's financial statements. They were not expecting any material changes to the Council's accounts after today. This was the second year that the Council had worked to an earlier reporting timetable for the final accounts, ie, by 31 May, rather than 31 July.

It was further emphasised that the Council had a statutory obligation to publish its audited accounts on the Council website by 31 July or if that is not

possible, as was the case this year, a statement should be published on the website indicating why the audited accounts were not available. The Council had complied with its statutory obligation and had published the necessary statement on the Council website. The reason why the final audited accounts had not been available within the statutory deadline was as a result of resourcing pressures at EY, which meant that they were unable to complete the necessary testing of the Council's accounts in time. Delegated authority was requested from the Committee for the Section 151 Officer and Chairman of the Audit Committee to approve the final audited accounts.

Replacement pages to pages 6.25 and 6.49 of the report were circulated at the meeting to reflect updates and progress that had been made since publication of the report. Page 6.25 included details of audit differences where officers had chosen to adjust the accounts as a result of audit findings and page 6.49 listed outstanding matters that were still to be resolved; progress on those issues had accordingly been updated. In addition, copies of updated financial statements were circulated, which had been updated and adjusted and would be checked prior to publication on the Council website. The external auditors presented a summary of their report to the Committee.

The external auditors emphasised that the accounts had been well prepared with very few differences identified during the course of the external audit work.

In response to a Member question relating to Section 106 monies held by the Council on behalf of the NHS, the external auditors confirmed that the sum was just over £500k but was not available for the Council to use and was not showing in the Council's accounts although it was held in a separate bank account in the Council's name; they would raise this as an issue as the matter was potentially not unique to this Council and guidance would be sought on how to deal with this next year. If no solution could be confirmed before the audit opinion was issued for 2018/19, it would not be included in the Council's cash balances but would be included in the Council's letter of representations within the list of uncertainties. In response to a supplementary question relating to interest accrued on this sum, officers confirmed that the interest would be received by the NHS.

Responding to a Member question relating to close-down reports, with misbalances reported at year end as a result of reports being produced either too early or too late, the external auditors advised that the Council used a live system so there could be problems in terms of external auditors not having the report used to produce the accounts as the live system would produce different reports depending on what date they were generated; this was common to a number of local authorities. Officers confirmed, in response to a supplementary question relating to data inputting on the live system, that only Council officers could input data onto the live system; it could not be inputted externally. Work was being undertaken with Revenues and Benefits to ensure that for the following year the correct reports were run at the correct time as part of the year end process.

In response to a Member question as to whether an EY resource issue was the reason behind the late clarification of the Council's accounts, the external auditors confirmed that there had been a resource issue this year. This had impacted other external auditors who audit local authority accounts, as well as EY. 60% of local authority opinions were issued by the 31 July deadline and 40% failed to meet the deadline. The tight deadline for final audit of accounts, an increase in audit clients this year as a result of the PSA re-tendering, an increase in attrition and high levels of sickness absence, with a high number of experienced staff leaving EY, all contributed to EY's inability to meet the statutory 31 July deadline for this year. In addition, it had proven difficult to fill the gaps left by the departure of experienced auditors.

External auditors advised, in response to a Member query relating to an action plan for meeting the 31 July deadline for next year, that EY was recruiting heavily, including around 250 South African auditors to begin work early next year. In addition, EY had already identified that they would not be able to meet all 31 July deadlines for next year as they had much work to catch up on. However, they would agree key audit dates for next year. They emphasised that in their view there was a sustainability issue around the 31 July deadline; it was important that local authorities receive a good quality of audit assurance, which was challenging within such a tight timescale.

In response to a Member question as to who audits the Section 106 monies held for the NHS, the external auditors advised that this work would be undertaken by KPMG, the NHS auditors, as the monies would be included in NHS accounts.

Responding to a Member question in respect of page 6.29 relating to the monitoring of progress during 2019/20 around the asset delivery programme, the external auditors confirmed that they would continue to review relevant RDC Minutes on an ongoing basis and would obtain regular updates on this. They would not, however, undertake any detailed audit work on this area.

### **Resolved**

- (1) That the contents of the draft Audit Results Report be noted.
- (2) That the Financial Statements be approved in principle.
- (3) That final sign-off of the financial statements be delegated to the Chairman of the Audit Committee, subject to no significant audit changes being identified post the Committee meeting.
- (4) That the movement in general fund balances be noted. (ADR)

The meeting closed at 8.15 pm.

Chairman .....

Date .....

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