

**AUDIT COMMITTEE**

Minutes of the proceedings at a meeting of the Audit Committee held in the Lowther Room, Kendal Town Hall, on Thursday, 23 September 2021, at 6.30 p.m.

Present

Councillors

Stephen Coleman (Chairman)  
Tracy Coward (Vice-Chairman)

Giles Archibald  
Kevin Holmes

Kevin Lancaster  
Matt Severn

No apologies for absence were received .

Officers

Linda Fisher      Legal, Governance and Democracy Lead Specialist (Monitoring Officer)  
Julia Krier        Legal, Governance and Democracy Specialist  
Adam Moffatt     Legal, Governance and Democracy Specialist  
Claire Read       Finance Specialist  
Simon Rowley    Director of Customer and Commercial Services  
Helen Smith      Finance Lead Specialist (Section 151 Officer)

Also in attendance were Hebe Dyson (External Audit), Peter Harrison (Internal Audit Manager) and Gareth Kelly (External Audit Manager).

**AUD/12      MINUTES**

RESOLVED – That the Chairman be authorised to sign, as a correct record, the minutes of the meeting of the Committee held on 29 July 2021.

**AUD/13      DECLARATIONS OF INTEREST**

No declarations of interest were raised.

**AUD/14      LOCAL GOVERNMENT ACT 1972 - EXCLUDED ITEMS**

There were no excluded items on the agenda.

**AUD/15      AUDIT COMMITTEE 2021/22 WORK PROGRAMME (SEPTEMBER 2021)**

The Finance Lead Specialist (Section 151 Officer) introduced the 2021/22 Work Programme. Four items contained within the Programme had been delayed until the December 2021 meeting: Annual Review of Anti-Fraud Policy and Activity; Review of Whistleblowing Policy; Audit Committee Risk Register; and Customer Connect Business Case Final Report.

The Finance Lead Specialist (Section 151 Officer) proposed moving the 18 November 2021 Audit Committee meeting to December to provide more time to prepare the reports.

Member's requested that any decision on the date of the rescheduled meeting be made in conjunction with the Chairman.

Members expressed their thanks to the Finance Team for their work, stating that the feedback from Internal and External Auditors had been positive.

Following a question on the impact of Local Government Reorganisation on Internal and External Auditors and any conflict of interest that may arise, the Finance Lead Specialist (Section 151 Officer) agreed to review the concern with Public Sector Audit Appointments (PSAA) and feedback to the Chair.

RESOLVED – That progress against the Audit Committee's 2021/22 Work Programme be noted.

## **AUD/16 INTERNAL AUDIT PROGRESS REPORT 2021/22 (SEPTEMBER 2021)**

Peter Harrison, Internal Audit, introduced the Internal Audit Progress Report 2021/22 which provided a summary of the progress against the Internal Audit Annual Plan as at September 2021. He referred to a typographical error in Recommendation (1) of the report and explained that progress related only to 2021/22 and not 2020/21 as indicated.

Following approval of the Internal Audit Plan by the Committee in April 2021, three assurance reviews had been finalised, with fieldwork underway on a further three reviews.

Mr Harrison presented the executive summaries of the three audits which had been completed in the period which were contained in Appendix 2 to the report.

The report highlighted the review of Contract Management had resulted in an assessment of reasonable assurance, with two important action points having been identified. Members of the Audit Committee raised concern regarding two important actions in the report related to no tenders or quotations for the purchase of curtains related to the Kendal Town Hall refurbishment. In response to a query raised on whether the constitution and procurement policy had been followed, both the Legal, Governance and Democracy Lead Specialist (Monitoring Officer) and the Finance Lead Specialist (Section 151 Officer) informed Members that it had not. Members requested an explanation from the Operational Lead (Delivery and Commercial Services) at the next meeting.

The review of Procurement had resulted in an assessment of reasonable assurance, with four important and one routine action points having been identified. The Finance Lead Specialist (Section 151 Officer) informed Members that the Contract Procedure Rules had been under review with a number of amendments being made before going to Council for approval.

The review of Debtors had resulted in an assessment of substantial assurance, with just one routine action point having been identified. Members thanked Officers for their hard work and expressed how pleased they were to see substantial assurance in this area.

Internal Audit had also assessed the extent to which previous internal audit recommendations had been implemented. The key issue identified was that, although there had been some slippage, most recently due to Covid-19, recommendations continued to be implemented. Of the 47 recommendations contained within the report, 28% had been implemented. Of the 33 recommendations that remained outstanding, 70% were due to slippage beyond the original implementation date and 30% were because the original implementation date had not yet arrived. Due to the reorganisation

measures under the ongoing Local Government Reform, one recommendation was no longer applicable and, therefore, would not be implemented.

Following a request from Members, Mr Harrison agreed to provide a clearer explanation of the anticipated benefits of the Customer Connect Programme. The Director of Customer and Commercial Services informed Members that this topic had been considered and a report would be brought to Cabinet and Council to update Members on the project.

RESOLVED – That the following be noted:-

- (1) the progress achieved in 2021/22 in delivering the Audit Plan and the outcomes of completed audit reviews, as set out in Appendix 1 to the report;
- (2) the audit reports, as set out in Appendix 2 to the report; and
- (3) the status of outstanding recommendations contained within the follow up report, as set out in Appendix 3 to the report.

## **AUD/17**

### **AUDITED STATEMENT OF ACCOUNTS AND ANNUAL GOVERNANCE STATEMENT 2020/21**

Copies of Appendices 2, 4 and 5 to the report, which were marked “to follow” on the Agenda, had been circulated to Members on 22 September 2021 alongside an updated Appendix 1.

The Finance Lead Specialist (Section 151 Officer) introduced the audited Statement of Accounts and Annual Governance Statement for 2020/21. The unaudited Statement of Accounts had been approved and published by the Finance Lead Specialist (Section 151 Officer) on 21 June 2021 allowing the opportunity for the general public to raise objections, questions and comments and had been reported to the Committee on 29 July 2021. There was a statutory deadline of 30 September 2021 for publication of the 2020/21 Statement of Accounts or as soon as reasonably practicable after receipt of the Audit Opinion.

The Finance Lead Specialist (Section 151 Officer) informed Members of a number of amendments which had been identified in the updated Appendix 1 which was circulated before the meeting and that the letter of representation had been adjusted. The report proposed that the Chairman be authorised to resign the statement of accounts and sign the letter of representation once the amendments had been made.

Following a question from Members regarding the lack of any scores of 4 being given in appendix 3, the Finance Lead Specialist (Section 151 Officer) informed Members that the report had been done on an exception basis, in reality only the scores of two and three were shown but when assessed, 77% of the lines had scored four. Members suggested that this be highlighted in a footer in the report.

RESOLVED – That

- (1) the following be approved:-
  - (a) the Statement of Accounts for 2020/21; and
  - (b) the Letter of Representation;
- (2) the Chairman be authorised to:-

- (a) sign the letter of representation and the Statement of Accounts on behalf of the Committee; and
  - (b) re-sign the Statement of Accounts in the event of further amendments following the final audit findings report; and
- (3) the following be noted:-
- (a) the Annual Governance Statement Action Plan; and
  - (b) the External Audit Action Plan.

## **AUD/18 EXTERNAL AUDIT OPINION ON ACCOUNTS - AUDIT FINDINGS REPORT**

Copies of the report, which was marked “to follow” on the Agenda, had been circulated to Members on 22 September 2021.

Gareth Kelly, External Audit presented the Audit Findings report. The report presented the observations arising from the audit that were significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260.

It was pointed out that External Audit had not yet completed all of the Value for Money work and so were not in a position to issue their Auditor’s Annual Report. They expected to issue their Annual Report by the end of December 2021, which was in line with the National Audit Office’s revised deadline. As part of the work, External Audit had considered whether there were any risks of significant weakness in the Council’s arrangements for securing economy, efficiency and effectiveness in its use of resources. To date, they had not identified any weaknesses in the Council’s arrangements.

External Audit had substantially completed their audit of the Council’s financial statements and, subject to outstanding queries being resolved, anticipated issuing an unqualified audit opinion following this meeting.

During discussion on the item, Members raised a question regarding the trend in increasing Audit Fees; the Finance Specialist (Deputy Section 151 Officer) informed Members that this was due to additional work due to Value for Money which were new auditing standards. In addition, the Finance Lead Specialist (Section 151 Officer) highlighted that a basic fee is charged and that any additional work being undertaken increased the fee overall.

RESOLVED – That the Audit Findings made by the External Auditors for the year ending 31 March 2021 be noted and received.

## **AUD/19 EXTERNAL AUDIT PROGRESS REPORT AND UPDATE (SEPTEMBER 2021)**

This item was withdrawn from the Agenda.

## **AUD/20 OTHER SIGNIFICANT FINANCIAL ISSUES**

The Finance Lead Specialist (Section 151 Officer) informed the Committee of updated timescales for local government funding over the coming years. She highlighted that the Government Spending Review was due to take place in October and that the Local Government Settlement was expected in December. In addition Members were advised

that a change to Business Rates was expected in 2022 to come into force the following year.

The Finance Lead Specialist (Section 151 Officer) notified Members that Cumbria CFOs had met on a regular basis concerning Local Government Reorganisation and were preparing a paper on the principles of how costs would be disaggregated moving into the new authority.

RESOLVED – That the verbal update be noted.

The meeting ended at 7.59 p.m.