



## **SPECIAL AUDIT COMMITTEE**

### **MINUTES OF THE MEETING HELD REMOTELY VIA MICROSOFT TEAMS ON MONDAY 16TH NOVEMBER 2020 AT 2.00 PM**

PRESENT:

Councillor M.E. Sargent – Chair  
N. Yates – Vice Chair

Councillors: M. Adams, E. Aldworth, C. Cuss, J. Gale, C. Mann, B. Miles, T. Parry, M. Sargent (Chair), G. Simmonds, J. Simmonds and N. Yates – Lay Member (Vice-Chair).

Officers: S. Harris (Head of Financial Services and S151 Officer), R. Edmunds (Corporate Director for Education and Corporate Services) D. Gronow (Acting Internal Audit Manager), A. Southcombe (Finance Manager - Corporate Finance) and A. Dredge (Committee Services Officer).

B. Morris, G. Hawkins and M. Royle (Grant Thornton – External Auditors).

G. Jones (Audit Wales).

#### **RECORDING ARRANGEMENTS**

The Chairperson reminded those present that the meeting was being recorded and would be made available to view via the Council's website, except for discussions involving confidential or exempt items. [https://youtu.be/cs2--vt7\\_6k](https://youtu.be/cs2--vt7_6k)

#### **1. APOLOGIES**

Apologies for absence were received from Councillors J. Bevan and D. Hardacre and R. Roberts (Business Improvement Manager) and N. Jenkins (Audit Wales).

#### **2. DECLARATIONS OF INTEREST**

There were no declarations of interest received at the commencement or during the course of the meeting.

#### **REPORTS OF OFFICERS**

Consideration was given to the following reports.

#### **3. AUDIT COMMITTEE ASSURANCES OVER MANAGEMENT PROCESSES AND ARRANGEMENTS.**

Consideration was given to the report which set out the Chair of Audit Committee's response to the External Auditor, Grant Thornton, on how the Committee gains assurance over management processes and arrangements. As part of their audit planning and to comply with International Auditing Standards, the External Auditor needs to gain an understanding of how the Audit Committee gains assurance over management processes and arrangements.

The list of questions was sent to the Chair of the Audit Committee and the responses are appended to this report. Points of clarification were requested on various aspects of the report and Officers responded to the points raised.

Following consideration and discussion, it was moved and seconded that the recommendations in the report be approved. By a show of hands this was unanimously agreed.

RESOLVED that for the reasons contained in the Officer's report, the Chair's response appended to the report, be noted.

#### **4. FINANCIAL STATEMENTS FOR 2019/20**

The report detailed that as a result of the Covid-19 pandemic, the statutory deadline for completing the 2019/20 Draft Financial Accounts was extended by the Welsh Government from the 15th June 2020 to the 31st August 2020. The Draft Financial Accounts were prepared and submitted to the External Auditor on the 7th August 2020. This was later than the mutually agreed submission date of the 14th July 2020, with the delay being attributable to staff focussing on Covid-19 priorities and the new challenges presented through working remotely.

The Draft Accounts have since been subject to External Audit review and this work has now been completed. The External Auditor's Audit of Accounts report was attached to the report considered by the Audit Committee at Appendix 1. The revised statutory deadline for the approval of the Audited Financial Accounts is the 30th November 2020 and the Committee was advised that it is the Auditor General's intention to issue an unqualified audit report on the 2019/20 Financial Accounts.

The Auditor's Report provided details of misstatements identified during the audit process and apart from one item these have all been corrected by management. The one uncorrected misstatement of £1.2 million will be reviewed by management during the 2020/21 financial year and adjustments will be made as appropriate once the review has been completed. All of the corrected misstatements have been incorporated into the audited 2019/20 Financial Accounts attached at Appendix 2 of the report that was presented to the Audit Committee.

Members were also referred to the recommendations detailed in Appendix 5 of the External Auditor's report and the management responses to the recommendations. The Head of Financial Services & S151 Officer advised Members that he would chair a Project Team that will ensure that the recommendations in the Auditor's Report are fully addressed by the end of the 2020/21 financial year.

Members discussed the report and reference was made to paragraph 5.3 which provided details of the uncorrected misstatement relating to an unidentified bad debt provision of £1.2 million. The Head of Financial Services & S151 Officer reiterated that

further work will be undertaken to substantiate this balance and once this is completed appropriate adjustments will be made.

A Member sought clarification in respect of Exhibits 8 and 9 in the Auditor's report, where it stated a listing of debtor and creditor balances on a transactional basis could not be provided for audit. Officers explained this is due to details of closing balances being provided from a range of third-party systems covering areas such as Council Tax, NNDR and Housing Benefits. However, management have responded positively to the recommendations made and the Project Team will look to make improvements in these areas.

Members discussed the External Auditor's recommendations in relation to the IT controls and the role of the Digital Leadership Group, declarations of interest and the oversight and review of capital accounting. Officers explained that a separate report on IT controls had previously been prepared by Grant Thornton and that progress against the recommendations in the report is being monitored by the Digital Leadership Group. Officers also explained that processes will be reviewed to ensure that all declarations of interest are received in a timely manner in the future. In relation to the oversight and review of capital accounting it was explained that we lost an experienced member of staff in March 2020 who dealt with these technical aspects of the accounts. A replacement has been appointed but the member of staff has been on a very steep learning curve. The individual has performed exceptionally well during a difficult period and this was endorsed by the External Auditor. The experience gained will be invaluable moving forward and a review of systems and processes will be undertaken including oversight and review arrangements.

Following consideration and discussion, it was moved and seconded that the recommendations in the report be approved. By a show of hands this was unanimously agreed.

RESOLVED that for the reasons contained in the Officer's report:

- i. the comments of the Audit Committee upon the External Auditor's Audit of Accounts Report, be noted;
- ii. the management responses to the Auditor's recommendations arising from the 2019/20 Financial audit work, be noted;
- iii. the 2019/20 Audited Financial Accounts attached at Appendix 2, be approved.

The meeting closed at 3.10 pm.

Approved as a correct record and subject to any amendments or corrections agreed and recorded in the minutes of the meeting held on 26th January 2021, they were signed by the Chair.

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CHAIR