

**Minutes of the Extraordinary Audit Committee
12 November 2020**

Present:

Councillor L. E. Nichols (Chairman)
Councillor J.R. Sexton (Vice-Chairman)

Councillors:

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| A. Brar | J.T.F. Doran |
| S. Buttar | M.J. Madams |

In Attendance: Councillors C. Bateson, R.D. Dunn, S.A. Dunn, I.T.E. Harvey, R.A. Smith-Ainsley and J. Vinson

271/20 Disclosures of Interest

There were none.

272/20 Update from BDO, External Auditors, on audit arrangements for the Council

Leigh Lloyd Thomas, BDO auditor, provided an update on the work of the external auditor. He advised that they had undertaken some limited transactional work on the 2018/19 accounts and would be able to do the same for the 2019/20 accounts but was unable to progress any other aspects, such as auditing of the balance sheets in order to give an opinion on the accounts, for either year. This situation would persist until their predecessor, KMPG, had signed off the 2017/18 accounts and given them professional clearance to start the audit for subsequent years.

He reported that this was a unique situation: a previous auditor not having issued a VFM opinion on one set of accounts and another auditor having since been appointed. He had discussed the situation with the Public Sector Audit Appointments (PSAA), the national appointing body for external auditors, who were aware that BDO could not progress with the audit.

The Committee expressed their concern that we have not been able to move forward with the audits of the Council's accounts for almost four years. Mr Lloyd-Thomas reassured the Committee that the Council had not failed in its legal duties due to this delay because it had met the requirement to publish the 2018/19 set of accounts and the 2019/20 accounts would also need to be published by 30 November 2020, although stated as unaudited. The delay only caused difficulties in having to undertake a historic audit and the value of a signed set of accounts so far out of date did not give the same level of assurance.

The Committee noted the update from BDO.

273/20 CIPFA Financial Management Code

The Chief Finance Officer gave a presentation on the new Chartered Institute of Public Finance and Accounting (CIPFA), Financial Management Code (the Code). He explained that the new Code was amongst a number of measures CIPFA had issued in response to concerns about the financial resilience of local authorities.

The Code is based around six key principles of good financial management to ensure councils have appropriate arrangements in place. Each of these principles is supported by a set of guidance standards against which Councils should be assessed and is structured around 7 areas of focus and the standards for compliance under each of those.

He advised that we will decide how best to monitor our compliance with the Code when we receive CIPFA's best practice guidance. This will be discussed as the new committee structure is developed but would appear to fit well with the remit of the Audit Committee.

The Chief Finance Officer advised that the Council had undertaken a self-assessment against the standards in the Code and identified our level of compliance and the areas on which we can improve. He expressed the view that the Council is performing well but identified some areas for improvement such as training and reviewing the format and content of reports to make them easier to understand. He agreed to a request to circulate the self-assessment to the Committee.

The Chief Finance Officer referred to the recent Peer Review and that its report may identify constructive suggestions, that overlap with the Code, for further improvements.

The Committee noted the report and presentation on the CIPFA Financial Management Code.

274/20 Exempt Business

Resolved to move the exclusion of the Press and Public for the following item in view of the likely disclosure of exempt information within the meaning of Part 1 of Schedule 12A to the Local Government Act 1972, as amended by the Local Government (Access to Information) Act 1985 and by the Local Government (Access to information) (Variation) Order 2006.

275/20 Update from KPMG on Value for Money Opinion 2017/18

The Chief Finance Officer advised the Committee that KPMG had been invited to attend this meeting to give an update but did not feel in a position to do so.

BDO, as the Council's current external auditors, remained in attendance for this item.

The Chief Finance Officer reminded members of the history of the Council's interactions with KPMG and their concerns which led to an outstanding Value

For Money opinion for 2017/18. He reassured members that the Council had always sought the best legal advice before it purchased any commercial investment assets.

The Chief Finance Officer advised that a working group of councillors had been set up to focus on how we bring these matters to a resolution. He provided an update on the Council's communications with KPMG since October and that we were willing to proceed in a co-operative way and invited dialogue with KPMG.

The Monitoring Officer gave a summary of the position with regards to the legal advice given to both parties and the information that KPMG had shared with the Council.

Members discussed the potential outcomes of the outstanding issues and possible avenues to resolve them with the Chief Finance Officer and the Monitoring Officer.

The Committee noted the update.