

MINUTES  
of the  
AUDIT AND RISK COMMITTEE  
held on 17 March 2021 at 7pm

Present:

Councillor N.M. Walsh (Chair)

Councillors D.J.R. Clark, N.A. Dudley, J. Galley, J.S. Lardge, J.M.C. Raven, E.J. Sampson, and  
M. Sismey

### 1. Attendance and Apologies for Absence

No Apologies for absence were received.

### 2. Minutes

The minutes of the meeting on 16 December 2020 were confirmed as a correct record.

### 3. Declarations of Interests

All Members were reminded to disclose any interests in items of business on the meeting's agenda and that they should do so at this point on the agenda or as soon as they became aware of the interest. They were also obliged to notify the Monitoring Officer of the interest within 28 days of the meeting, if they had not been previously notified.

### 4. Public Questions

There were no questions or statements from members of the public.

### 5. Announcements

No announcements were made.

## 6. External Audit Update

The Committee received an update from officers and the Council's external auditors BDO on progress with finalising the 2019/20 Statement of Accounts. The Director of Finance informed the Committee that the initial deadlines for completing the 19/20 Audit had been extended due to the pandemic. It was noted that this had been set out to members at one of the Council's first remote meetings in May 2020 and that despite the pandemic, the finance team produced the accounts ahead of the deadline. The Committee heard that this had enabled the draft accounts to be considered at the July 2020 meeting. The Director of Finance thanked the finance team for their hard work and persistence throughout the audit process. It was noted that in both September and November of 2020, the external auditors informed the Committee that work was progressing well and that an unqualified audit opinion and value for money conclusion was expected to be issued. The Director of Finance informed the Committee that despite being informed by the external auditors that work was nearly complete at the December meeting, the target date was then pushed back into 2021. It was noted that despite this, the audit had still not been completed by BDO. The Committee heard that an unqualified opinion was still expected, however. The Committee heard that this had now become a significant distraction for the Finance team who needed to move onto other areas of work, including preparing the draft accounts for 2020/21.

The external auditors informed the Committee that one of the key areas of outstanding work continued to be in property valuations, where no material issues had been found so far, along with work normally completed at the end of the process. These final areas of work included review of cash flow statements and work on contingencies and commitments; officers had been informed of these and nothing significant was expected. The Committee was also informed that the auditor's final review processes were still to be completed. The external auditors reiterated that no material misstatements had yet been found but some valuations had been identified as reportable misstatements, but did not amount individually or cumulatively to be material. The Committee heard that it was important for both parties to move on from the audit and the current focus was on completing by the end of March.

In response to the updates, members of the Committee, raised the following points of concern and questions;

- Why had the external auditors, despite several updates still not managed to complete the audit, when the Council officers had upheld their end of the process and completed everything on time?
- Will the new target of the end of March for completing the audit actually be met?
- It was very disappointing that after the significant delays for the 18/19 audit, that similar delays had occurred but to an even larger scale for 19/20.
- Had the communications between the Council and the external auditors been improved as agreed after the delays on the last audit?
- Will there be a lessons learnt meeting held once the process is complete?
- For the 18/19 audit, the delays had partly been blamed on the fact it was the first year for BDO since taking over the audit, but the delays had now been worse in the second year?

- It was recognised that covid, staff illness and increasing demands and expectations on auditors had been a significant factor in the delays. The Committee's frustrations however were due to the regular assurances at meetings throughout 2020, that the audit was progressing well and was often a few days away from being completed.
- It was now three months since the last update from the external auditors in December and it was difficult to see what change there had been since in their position?
- In the future, much more realistic expectations were required rather than continued assurances which were not met.

In response to the comments and concerns raised by the Committee, the external auditors stated that;

- The audit had been fully resourced and started on time with no problems and BDO had worked very hard, but issues such as covid and staff absences had contributed to delays.
- Debriefing with the Council had always been part of the post audit process and would continue.
- Communications had been improved for this year's audit with a better line of sight on progress, although covid had been a significant impact of 15 to 20%.
- With hindsight, the initial targets for completing the challenging valuation work had been too optimistic.
- The reports provided had been made in good faith and had not been intended to mislead the Committee or officers.
- They would always seek quality over deadlines when completing an audit.

RESOLVED that the report be noted.

(7.01pm to 7.40pm)

## 7. Internal Audit Annual Plan 2021/22

The Committee received a report detailing the Annual Internal Audit Plan for 2021/22, and were asked to take into account the budget and resourcing required for delivery, as well as note and approve the Internal Audit Charter. The Committee was informed that the attached plan was based on a prioritisation of the audit universe. This included using a risk-based methodology, with input from the 'Our Chelmsford Our Plan' document, the principal risk register, discussions with staff and consideration of local and national issues and risks. The Committee noted that discussions had been held with senior management during the start of 2021 and that Management Team had approved the plan on the 24<sup>th</sup> of February 2021.

The Committee heard that the plan focused resources where it would be needed most and that the service was provided by a small in-house team. It was also noted that an additional budget was available for contingency purposes or if specialist resources were required. It was also noted that a small-time contingency had been built into the plan for any ad hoc or urgent

requirements. The Committee was also informed that the Internal Audit Charter was included in the report, but there had not been any material changes to it for 2021/22.

RESOLVED that;

1. the content of the report be noted and;
2. the Annual internal Audit Plan for 2021/22, taking account of the budget and resourcing required for delivery, be noted and approved and;
3. the Internal Audit Charter be noted and approved.

(7.41pm to 7.44pm)

## 8. Approval of Accounting Policies

The Committee received a report updating them on the Accounting Policies which would be used in completing the 2020/21 Statement of Accounts. It was noted that these were approved annually for each statement of accounts and that they represented the specific principles applied in producing the Statement of Accounts. The Committee was informed that the proposed changes to leasing standards had been postponed and therefore, there were no significant changes to report since the 19/20 document. The Committee was reminded that if any changes were required, they would be notified accordingly.

RESOLVED that the Accounting Policies to be used in the preparation of the accounts be approved.

(7.45pm to 7.48pm)

## 9. Audit and Risk Committee Work Programme

The Committee received a report updating them on the rolling programme of work. The Committee heard that some changes had been made, with some additional reports being added, alongside some being moved to different meetings to ensure a balanced programme. The Committee was also reminded of the self assessment survey that had been circulated to them and were asked to complete this if they had not already. It was noted that the survey would allow a better picture to be developed of any future training needs for members.

RESOLVED that the report be noted.

(7.49pm to 7.50pm)

## 10. Urgent Business

There was no urgent business for the meeting.

The meeting closed at 7.50pm

Chair