FINANCE, RESOURCES, AUDIT AND GOVERNANCE COMMITTEE

Minutes of a remote meeting of the Finance, Resources, Audit and Governance Committee of South Norfolk District Council, held on Friday 5 February 2021 at 2.00pm.

Committee Members Present:	Councillors: P Hardy (Chairman), A Dearnley, B Duffin, D Elmer, T Laidlaw, N Legg, S Ridley and R Savage
Apologies:	Councillor V Clifford-Jackson
Officers in Attendance:	The Assistant Director of Finance (R Fincham) and the Finance Manager (J Brown)
Also in Attendance:	Mr M Hodgson (Ernst & Young (EY)) – for part of the meeting

247 MINUTES

The minutes of the meeting held on Friday 20 November 2020, were confirmed as a correct record.

Reference was made to the examples of transactions which were due to be emailed to the Committee as part of the follow-up report on internal audit recommendations. The Assistant Director of Finance advised members that he would ensure that this was actioned.

248 STATEMENT OF ACCOUNTS 2019/20

The Finance Manager presented the report and advised the Committee that the informal Statement of Accounts was approved by the Assistant Director of Finance (also Sec 151 Officer), on 27 August 2020, in line with the statutory deadline.

She also advised members that the external audit was carried out from August 2020, to early October 2020, and December 2020, to date. The audit had identified four areas where adjustments were required to the accounts:

- Reduction in pensions past service cost
- Correction of housing benefit overpayment debtor
- Correction of community infrastructure levy (CIL) creditor
- Change in treatment of elections balance

Considerable discussion followed and officers responded on a number of points of detail.

In response to a query regarding long term debtors reclassified as CIL, the Finance Manager advised the Committee that CIL money was recoverable and that the Council had a bad debt provision in place. She confirmed that this provision had been factored into the overall debtors balance.

Members referred to the Individual and Families directorate budget, and queried whether the budget was only used for welfare payments made on behalf of the Department for Work and Pensions. The Finance Manager explained that the budget covered a number of services areas which fell under the Individual and Families directorate. It was further explained that there had been a reduction in the expenditure for housing benefit payments as people were moved onto Universal Credit.

Referring to parish precepts, members queries whether parishes ever lost out on funding due to non-payment of council tax. The Finance Manager explained that the Council acted as a billing authority collecting the council tax and business rates, with the various preceptors (including parish councils) having agreed in advance how much they required. There was a time difference between when the Council collected the money and when it was paid out to the preceptors, and as a result there was often a surplus or deficit in the collection fund. She assured members that parishes always received the requested precepts.

In response to a query regarding the net cost of service and the surplus deficit for the year, the Finance Manager advised the £3.05m was a healthy surplus for the Council to put into the general reserve. She referred members to the movement in reserves statement, which detailed how these funds were then split into the separate reserves.

During a discussion, the Finance Manager acknowledged that negative interest rates, although unlikely, were a possibility, and that this could impact on the Council’s investments. The Finance Manager did not believe that there was a high enough risk to the Council to warrant its addition to the risk register. The Chairman reminded members that an update on the risk register was to be considered at the next meeting of the Committee.

Regarding the classification of assets for ICT equipment, the Finance Manager advised that if there was a bulk purchase of ICT equipment it would be considered as capital spend and form part of the Council's fixed asset register, otherwise smaller or individual purchases of ICT equipment would fall under 'other'. Members further queried the minimum spend for capital, and the Finance Manager advised that this was £10K, assuring them that this was a common local authority threshold.

Whilst discussing the impairment losses with funds on deposit with various organisations, one member queried whether the Council's money was safe with other local authorities. The Finance Manager advised that it was one of the safest places the Council could invest its money as there was a statutory requirement amongst councils where any funds invested would be repaid. The Assistant Director of Finance further explained that local authorities were considered a low risk as they were always underwritten by the taxpayer and the Government, so unlike private companies they would never go out of business or disappear completely.

Discussion followed regarding a VAT error in the Leisure Service, which was disclosed in 2018/19. The Finance Manager advised that the error was discovered following a VAT review carried out with external experts.
The Committee noted that the Council had paid approximately £600k to HMRC, and had also made a £225K provision, in case of an additional charge or penalty. As there had been no additional charge, this provision would no longer be required.

Members requested clarification on the term 'debtors for local taxation', and the Finance Manager advised that this related to council tax and business rates and the level of debtors.

In response to a member's query regarding housing benefit overpayments, the Finance Manager advised members that these often occurred when the recipient's circumstances changed, and their housing benefit entitlement altered. She further explained the two methods of recovering the overpayment

- deductions from ongoing benefit payments
- sundry debt (which includes setting up a repayment plan)

Members further queried the Council's likelihood of recovering overpayments and the Finance Manager advised that the Council had in place a bad debt provision of approximately 50%.

It was then

RESOLVED

1. To note the adjustments to the Statement of Accounts 2019/20 identified to date.

2. Delegate to the Assistant Director of Finance to make any necessary adjustments to the Statement of Accounts for sign-off and publication.

3. Delegate to the Chair of the Finance, Resources, Audit and Governance Committee to sign the letter of representation alongside the Assistant Director of Finance.

249 AUDIT RESULTS REPORT

The Chairman welcomed Mr M Hodgson from EY, to the meeting.

Mr Hodgson of EY presented the audit results report, explaining that it had been a challenging year for the preparation and audit of the financial statements. He explained that there were outstanding items to be audited, and informed members that no issues had been found in the two fraud areas audited. He drew attention to the two issues had been reported around pension liability; Covid impact on estimations and response to recommendations, but reassured members that these were both timing issues, and out of the Council's control.

Members noted that EY proposed that an unqualified audit be issued.

During discussion regarding the valuation of property, plant and equipment, members noted that a specific risk of misstatement had been identified and queried whether this risk was only assessed as a result of Covid-19. Mr Hodgson informed the Committee that additional risks had been identified as a direct result of Covid-19.

Members noted that the scale of audit fees had been increased and queried whether the final figure had been determined. Mr Hodgson advised that the scale of fees was still to be determined following the Redmond Review. He explained that the fees for the additional Covid-19 related audit work was still to be determined and explained that further discussions were to be carried out with the Assistant Director of Finance.

It was then

RESOLVED

To note the contents of the report.

250 MHCLG RESPONSE TO REDMOND REVIEW

The Assistant Director of Finance outlined the background of the Redmond Review, and advised members of the key proposed changes;

- Audit fees
- Audit deadlines
- Audit report to full Council
- Standardised information across all local authorities

He informed members that none of the changes would be made immediately as the new regulations and guidance were still to be developed.

During a discussion on the proposed deadline of 30 September for the publication of audited local authority accounts, members queried whether the new date would result in more accuracy. The Assistant Director of Finance advised that some figures were always based on estimates and that the accuracy of these would not change, and he referred to the pressure on the external auditor who had to perform the audits for all the local authorities. He explained that from an operational viewpoint, he preferred the accounts being finalised early.

Members queried the proposal that the accounts be taken to Council to be signed off, and Mr Hodgson clarified that it was likely that only the audit letter would be required to go to Council and not the full accounts. The Assistant Director of Finance reiterated that these were only proposals and not finalised changes.

It was

RESOLVED

To note the contents of the report.

251 WORK PROGRAMME

Members considered the Finance, Resources, Audit and Governance Committee's Work Programme, and it was noted that an update of the risk register would be considered at the next meeting of the Committee.

(The meeting concluded at 3.18 pm)

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Chairman