

**AUDIT COMMITTEE
MINUTES**

Date: Tuesday, 17 November 2020

Time: 6.00pm

Place: Virtual (via Zoom)

Present: Councillors: Teresa Callaghan (Chair) (Chair), John Gardner (Vice-Chair) (Vice Chair), Sandra Barr, Stephen Booth, Laurie Chester, Lizzy Kelly, Graham Lawrence and Geoffrey Gibbs

Start / End Start Time: 6.00pm

Time: End Time: 7.29pm

1 APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST

Apologies for absence were received from Councillor Dave Cullen.

There were no declarations of interest.

2 MINUTES - 10 SEPTEMBER 2020

It was **RESOLVED** that the Minutes of the Audit Committee meeting held on 10 September 2020 be approved as a correct record and signed by the Chair.

3 THE REDMOND REVIEW: INDEPENDENT REVIEW ON THE QUALITY OF LOCAL AUTHORITY REPORTING AND EXTERNAL AUDIT

The Strategic Director (CF) presented a report updating the Committee on the Redmond Review and advising Members of any impending changes to future Statement of Accounts and External Audit.

The views of the Council's Chief Financial Officer (CFO) were reported along with Ernst and Young's comments on the Redmond Report. The main issues raised on the recommendations within the Redmond Report by the CFO included:

- The recommendation to simplify the oversight of accounts could have been made stronger;
- The deadline for publishing audited local authority accounts would be revisited with a view to extending it to 30 September from 31 July each year. This was seen as a backward step by the CFO as it would impact on other functions provided by the Council such as budget monitoring and medium term planning and budget setting.

The main points raised on the recommendations by Neil Harris - Ernst and Young (EY) included:

- The standardisation and simplification of accounts should be further considered;
- A liaison committee set up by MLCLG, which would bring together all key stakeholders, to bring in primary legislation to oversee public audits was welcomed;
- The current timetable was currently unsustainable and the revised deadline was necessary.

In response to a question from a Member regarding staffing levels at EY, Neil Harris advised that steps had been taken and a programme of recruitment undertaken to ensure investment in the Company which was now fully staffed at a senior level.

In response to a question on fees, Neil Harris advised that EY had advised the PSAA of the scale fee required for each individual organisation. They were currently looking at whether the scale fees should be revisited taking into account local variations.

Members asked whether as well as the fees being increased the work content would also increase to reflect the fees. EY advised that the level of work was much more significant than the prior year due to the unprecedented environment everyone was operating in.

Members asked if there was scope to simplify the presentation of local authority accounts prior to communication of the information to council taxpayers/service users.

The Independent Member advised his disappointment with the report particularly in relation to the transparency of the report.

It was **RESOLVED**:

- (1) That the outcome of the review is noted by the Audit Committee;
- (2) That the views of the Council's Chief Finance Officer (CFO) are noted;
- (3) That the views of the Council's External Auditors are noted.

4 **INTERNAL AUDIT PLAN 2020/21 - PROGRESS REPORT**

The Committee considered a progress report on the Shared Internal Audit Service (SIAS) Audit Plan 2019/20 for the period to 30 October 2020.

The SIAS Client Audit Manager advised that, since the preparation of the report, 3 audits had been finalised in relation to procurement activity, garage lettings and void management. All 3 Audits provided a positive level of assurance with no high priority recommendations made.

20 out of 31 audits were currently in progress. The remaining 11 audits had staff resource allocated to them with a start date scheduled for each one.

The Committee was advised that due to the response to the Pandemic, it had been agreed that a number of audits would have to be cancelled. In response to a request from the Chair, the SIAS Client Audit Manager agreed that the Community Safety Audit which had been intended for Quarter 1 would be added to the reserve list of audits for this year.

It was **RESOLVED**:

1. That the Internal Audit Progress Report be noted.
2. That the amendments to the Internal Audit Plan, as at 30 October 2020, be approved.
3. That the status of Critical and High Priority Recommendations be noted.
4. That the Community Safety Audit which had been intended for Quarter 1 would be added to the reserve list of audits for this year.

5 **SECTION 106 (S106) ALLOCATION UPDATE**

The Assistant Director (Planning and Regulation) submitted a report providing Members with an update to how the S106 allocations could more effectively work.

The Committee was informed that a number of S106 funds had been previously allocated to identified schemes which were detailed in the report. It was noted that the challenge of spending these as part of wider budgets was being looked at by the Finance Department along with delivery partners on how best to spend those allocations.

In relation to the deadlines to spend these allocations, the Assistant Director advised that each project was on an individual basis although most had a 5-7 year deadline to spend. Following a request, the Assistant Director agreed that an update would be provided to the next committee on the breakdown of the remaining funding and the requirements of each specific scheme.

It was **RESOLVED**:

- (1) that the report be noted.
- (2) that the Assistant Director (Planning and Regulation) report to the next Committee on the breakdown of Section 106 balances and the requirements of each specific scheme.

6 **PROGRESS OF CORPORATE AND SERVICE GOVERNANCE ACTIONS**

The Corporate Performance & Improvement Officer (SB) presented a report in respect of the half-yearly progress of Corporate and Service Governance actions. She referred to Appendices A and B to the report, which provided progress reviews of 2020/21 Corporate Governance Actions and 2019/20 Service Governance Actions, respectively.

In response to a question from the Chair, the Corporate Performance & Improvement Officer (SB) agreed that an interim report would be submitted to the March 2021 meeting of this Committee and would include a mid year review of the Council's response to Covid-19 along with a summary of the decisions made by the Council during the Pandemic.

It was **RESOLVED**:

1. That the progress to date of corporate governance actions to strengthen the Council's corporate governance arrangements, as identified in the Council's 2019/20 Annual Governance Statement reported to the Audit Committee on 9 June 2020, be noted.
2. That the progress to date of service governance actions identified by the 2019/20 Service Assurance reviews carried out at business unit level to strengthen the Council's service governance arrangements reported to the Audit Committee on 9 June 2020, be noted.
3. that Officers submit an interim report to the March 2021 meeting of the Committee including a mid year review of the Council's response to Covid-19 and a summary of decisions made by the Council during the Pandemic.

7 **MID YEAR REVIEW OF 2020/21 TREASURY MANAGEMENT STRATEGY**

The Finance Manager (Technical) presented a report in respect of the 2020/21 Mid Year Treasury Management Review.

She drew attention to Paragraph 4.1.3 of the report which showed the original capital programme, the revised capital programme and financing.

The Finance Manager (Technical) then referred to the Council's cash balances, forecasted to be £60m at the end of March 2021 and advised that those balances were already earmarked for approved schemes so were not available for new projects.

In relation to prudential indicators the Committee noted that there had been no breaches to the approved strategy this year.

In response to a question regarding investments within the EU, Officers advised that although one fund in Luxembourg had closed, the Council's Treasury Management Advisors did not anticipate any further problems but that the situation would continue to be monitored.

A member asked for clarification in terms of how much money had been paid in interest on the housing stock debt. Officers advised that the annual interest cost on the borrowing was £7m. There was a phased repayment plan for the borrowing. Early repayment of some debts had been looked at but due to the early repayment penalties this was not viable.

It was **RESOLVED**:

1. That Council be recommended to approve the 2020/21 Treasury Management Mid Year review.
2. That Council be recommended to approve the latest approved Countries for Investments list (Appendix D to the report).
3. That the updated authorised and operational borrowing limits be approved (Paragraph 4.4.7 in the report).

8 **URGENT PART 1 BUSINESS**

The Chair asked for a progress update from Ernst &Young (EY) on the current Audit.

Nick Harris (EY) advised that it had been agreed with the Council's Chief Finance Officer that in order to safeguard the Audit and due to the impact of the Pandemic and the significant increase in the work required, a further period of time was necessary to conclude the Audit. In response to a question from the Chair, Nick Harris confirmed that they were on target to complete the Audit by the end of January 2021. The Audit Committee/Statement of Accounts Committee meeting originally scheduled for 26 November 2020 would now meet in January 2021.

9 **EXCLUSION OF PUBLIC AND PRESS**

It was **RESOLVED**:

1. That under Section 100(A) of the Local Government Act 1972, the press and public be excluded from the meeting for the following items of business on the grounds that they involved the likely disclosure of exempt information as described in paragraphs 1-7 of Part 1 of Schedule 12A of the Act as amended by Local Government (Access to information) (Variation) Order 2006.
2. That Members considered the reasons for the following reports being in Part II and determined that the exemption from disclosure of the information contained therein outweighed the public interest in disclosure.

10 **PART II MINUTES - AUDIT COMMITTEE - 10 SEPTEMBER 2020**

It was **RESOLVED** that the Part II Minutes of the Audit Committee meeting held on 10 September 2020 be approved as a correct record and signed by the Chair.

11 **STRATEGIC RISK REGISTER**

The Committee received the Council's latest Strategic Risk Register, relating to Quarter 2 of 2020/21 (July – September 2020).

It was **RESOLVED**:

1. That the latest Strategic Risk Register (set out in Appendices A1 – A3 to the report) be noted.
2. That developments on risk management issues be noted.

12 **URGENT PART II BUSINESS**

None.

CHAIR