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Meeting	Audit and Governance Committee
Date	20 November 2020
Present	Councillors Pavlovic (Chair), Fisher (Vice-Chair), Daubeney, Mason, Wann, Webb and Lomas

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### **Chair's Remarks – Committee Membership**

The Chair, in noting that Cllr D Taylor had stood down from the committee, expressed thanks for the work he had done, and welcomed Cllr Daubeney as a new member of the committee.

The Chair then announced that, as Cllr Fisher was experiencing problems with his sight, Cllr Wann would act as Vice Chair at the meeting should the need arise.

### **17. Declarations of Interest**

Members were asked to declare any personal interests not included on the Register of Interests, any prejudicial interests or any disclosable pecuniary interests which they may have in respect of business on the agenda. No interests were declared.

### **18. Minutes**

In response to questions from the Chair regarding matters recorded in Minutes 13, 14 and 15, officers confirmed that:

- The Risk Register would be included on the agenda for the next meeting, on 30 November;
- Mitigation measures in respect of KCR1 (Financial Pressures) had been reviewed and would be re-visited in the KCR Monitor 2 report, as would KCR4;
- Mazars could comment on the impact of the Redmond review during their presentation this evening.

Resolved: That the minutes of the meeting held on 28 September 2020 be approved as a correct record, to be signed by the Chair at a later date.

## **19. Public Participation**

It was reported that there had been two registrations to speak at the meeting under the Council's Public Participation Scheme.

Andy Mendus spoke on a number of matters, raising issues in relation to his comments at the last meeting, lack of improvement in the costs of staff absence, lack of audit reports, scrutiny of the decisions of Staffing Matters & Urgency Committee, and adding items to the work plan.

Gwen Swinburn also spoke on a number of matters, raising issues around the lack of independent members on the committee, the lack of internal audit reports, governance and transparency, and the severance payment to the former Chief Executive.

## **20. Annual Financial Report - Statement of Accounts 2019/20**

Members considered a report which presented a final set of accounts for 2019/20, to reflect changes made since the committee received the draft pre-audit accounts on 15 July 2020.

The changes made were all highlighted in the revised accounts attached as Annex A to the report. They were also included in Appendix A to the Audit Completion Report at Item 6 on the agenda (published in the Agenda Supplement). No substantive changes had been made to any of the core statements and none had any impact on the outturn position of the council. Members were not being asked to sign off the Final Statement of Accounts at this meeting because the auditors still had areas of work outstanding, as summarised in paragraph 8.

In response to questions from Members, and matters raised under Public Participation, officers confirmed that:

- Absence management would be included in the Annual Governance Statement, and circulated to Members by email before being finalised;
- For future reports, changes made to the draft accounts could be provided in a separate annex;
- The update referred to in paragraph 14 would be included in the revised audit completion report;

- Although the final accounts would not be signed off by 30 November, there were no resulting implications as the changes did not affect the bottom line or outturn position.

Resolved: (i) That the matters summarised in the report with regard to the Audit Completion Report at Item 6 on the agenda be noted.

Reason: To ensure the proper consideration of the opinion and conclusions of the external auditor in respect of the annual audit of accounts and review of the council's arrangements for ensuring value for money.

(ii) That the current status of the amended Statement of Accounts for 2019/20, at Annex A to the report, be noted.

Reason: To ensure compliance with the International Auditing Standards and other relevant legislative requirements.

(iii) That the final authorisation of the Statement of Accounts be delegated to the Chief Finance Officer and the Chair of the Audit & Governance Committee, upon the formal conclusion of the audit of the accounts, unless a further meeting is required.

Reason: To ensure compliance with the International Auditing Standards and other relevant legislative requirements.

## **21. Audit and Counter Fraud Monitoring Report**

Members considered a report which provided an update on the delivery of the internal audit work plan for 2020/21 and on counter-fraud activity undertaken during the year so far, following the resumption of work suspended in March due to Covid-19.

To date, work had commenced on 19 of the audits in the plan approved by the committee on 15 July 2020, as summarised in Annex 1 to the report. Audit reports finalised since the last update were shown in Annex 2. Further details of follow-up

work on agreed actions would be included in future monitoring reports.

Counter fraud work undertaken in accordance with the approved plan was summarised in Annex 3. In the 6 months to 30 September, the team had achieved £185k in savings for the council, against a yearly target of £200k. Successful outcomes had been recorded for 46% of investigations completed. The team had also taken on unplanned work and new procedures due to Covid19, supporting the council by helping to minimise the risk of fraud relating to the payment of grants to local businesses.

Officers responded to Members' questions, confirming that:

- Successful investigation outcomes were in line with those of other local authorities and above the 30% target;
- In respect of business grants, lessons had been learned from the first tranche of grants paid out and the team was in a good position to help prevent fraud occurring at the outset;
- In cases of 'limited assurance' audit findings, the normal process was to agree an action plan with the manager or team; this would be followed up and the results shared with the committee;
- Due to an oversight, the detailed audit reports had not been included in Annex 2; this would be rectified.\*

*\*[Note: the detailed reports have since been published online with the agenda for this meeting, in Agenda Supplement 2].*

Resolved: That the progress made in delivering the 2020/21 internal audit work programme, and the current counter-fraud activity, be noted.

Reason: To confirm that Members have considered the implications of audit and fraud findings.

## **22. Mazars Audit Completion Report**

Members considered the Audit Completion Report from the council's external auditors Mazars (Annex A to the covering report), presenting their findings to date from the audit for the year ended 31 March 2020.

Officers from Mazars were in attendance at the meeting to present the report and respond to any questions. They also commented on the Redmond review considered at the last meeting under Urgent Business (Minute 15a refers). The report of that review contained recommendations aimed at improving confidence in local authority (LA) finances, including detailed proposals for an Office of Local Audit and Regulation. It also explored options for improving the transparency of LA finance reports and examined the sustainability of local audit arrangements. It was not yet clear when government would enact the recommendations.

Mazars officers responded to questions from Members in relation to specific audit areas, as summarised below:

- The further information needed to support a larger than usual increase in the valuation of Heritage assets was now available; it was hoped to conclude this matter soon.
- Ongoing work in relation to severance pay to the former Chief Executive would take into account public complaints if relevant and was unlikely to conclude before February 2021.
- The Covid-19 pandemic was relevant to the valuation of property assets in the 2019/20 accounts because its impact was unknown and could result in significant fluctuations.

The Chair thanked Mazars for their work in the current difficult circumstances and indicated that an additional meeting would be arranged in March 2021 to consider their completed audits in more detail.

Resolved: That the matters set out in the Audit Completion Report presented by the external auditor be noted.

Reason: To ensure the proper consideration of the opinion and conclusions of the external auditor in respect of the annual audit of accounts and review of the council's arrangements for ensuring value for money.

## **23. Work Plan**

Members considered a draft plan of reports expected to be presented to the committee up to April 2022.

Officers explained the new format of the plan, which was colour-coded by theme; the themes being governance, risk, external audit and finance.

With regard to matters raised under Public Participation, it was explained that the plan was a working document and could be added to as required. The question of appointing an independent member to the committee was part of the review of the Constitution and, in view of the recommendations of the Redmond review, would require the recruitment of an appropriately qualified person.

Resolved: That the plan be approved, subject to the following amendments:

- Key Corporate Risks Monitor 2 – to be moved from January 2021 to February 2021;
- Scrutiny of the Treasury Management Strategy Statement and Prudential Indicators – to be moved from February 2021 to January 2021;
- An additional meeting to be arranged in March 2021 to consider the Mazars Audit Progress report.

Reason: So that the committee has a planned programme of work in place.

Cllr M Pavlovic, Chair

[The meeting started at 5:30pm and finished at 7:05pm].