

HARBOROUGH DISTRICT COUNCIL

MINUTES OF THE AUDIT AND STANDARDS COMMITTEE MEETING

held remotely on

3rd March 2021

commencing at 6.30p.m.

Present:

Cllr Dr Bremner (Chairman)

Councillors (remote access): Dunton, Golding, Graves, Hollick and Mrs Wood

Officers present: S. Green and S. Hamilton

Officers (remote access): D. Atkinson, C. Bland, C. Bentley, A. Eastwood, L. Elliott, C. Mason,
E. O'Neil, S. Patel and C. Zacharia

Internal Auditors (LGSS): R. Ashley-Caunt and T. Croote

External Auditors (Mazars): V. Gittings and M. Surrige

APOLOGIES FOR ABSENCE

Apologies were received from Councillor Nunn.

DECLARATIONS OF MEMBERS' INTERESTS

There were none.

MINUTES

RESOLVED that the Minutes of the Meeting of the Audit and Standards Committee held on 15th December 2020 be approved and signed by the Chairman as a true record.

CORPORATE RISK AND OPPORTUNITY MANAGEMENT: QUARTER 3, 2020/21

The Committee considered the Corporate Risk and Opportunity report for Quarter 3, 2020/21.

At the end of Quarter 3 there were 30 Risks and 3 opportunities on the Council's Risk and Opportunity Management Framework. Of that number, 12 (36.4%) were assessed as Red status, these being: CR 25 – Sufficient funds to deliver services in the medium term; CR27 – Delivering housing in a timely manner; CR32 – Meeting its budgeted for Planning fee income; CR33 – cost of planning appeals and legal challenges; CR36 – uncertainty following the imminent withdrawal of the UK from the EU; CR 37 – increase in homeless presentations; CV02 – Unforeseen, unfunded financial burdens as a result of responding to the ongoing situation; CV03 – Loss of income, as economic activity reduces; CV04 – Focus on high priority, short-term needs; CV 07 – increased demand on burial infrastructure; CV08 – additional homeworking requirements making increased demand on HDC's IT infrastructure and CV 09 – concurrent Emergency planning situations.

Eight risks and opportunities (23.5%) were assessed as Amber and 13 (38.2%) assessed as Green. No new Corporate Risks or Opportunities were added to the register during Quarter 3. One Corporate Opportunities was added and no Corporate Risks were removed from the register during the Quarter.

Officers provided the following information in response to questions asked or comments made by members on the following Corporate Risks:

- CR 29 – Amber risk - Ability to provide a comprehensive service due to cyber security attacks – The Council’s IT systems are sufficiently robust and IT risks are being constantly monitored. Cyber risk is one of the IT Department’s top priorities;
- CR 25 – Red risk – Sufficient funding to deliver its current services in the medium term and CR 32 – Red risk – Meeting its budgeted for Planning fee income; Comment was made that risks should be allocated the appropriate status.

A request was made to provide the Committee with information as to when the various risks were introduced and how long the risk is likely to be in place. Also historical comparative information was requested on the Risk Register as to how many risks the Council had 12 months ago and the reason for the increase/decrease.

RESOLVED:

That the contents of the Corporate Risk and Opportunity Management Quarter 3, 2020/21 report be received and noted.

INTERNAL AUDIT – PROGRESS AND PERFORMANCE UPDATE

T. Croote, Audit Manager of LGSS Internal Audit, presented the Committee with the current progress against the 2020/21 Audit Plan.

The Committee noted that two reports had been finalised, these being Development Management and Planning Enforcement and work is underway on a number of further assignments. Amendments to the audit plan have been made in light of the changes in the risk environment and availability of officers. Three audits have been postponed; Asset Management pending ongoing work on an Asset Management Plan; Customer Service Standards due to ongoing work to review customer service standards; and the Leisure project, pending ongoing work in this area. Work on some quarter 4 assignments have also been delayed due to officer availability within the service areas.

Since the previous meeting five actions arising from Internal Audit reports have been implemented, and at the date of reporting, there are three agreed management actions that are due but yet to confirmed as implemented. The overdue recommendations are detailed in Appendix B to the report.

In relation to work that a Member had carried out on two road junctions within his Ward which resulted in a planning enforcement safety issue, a query was raised as to what the scope of the Planning Enforcement report was, and the Internal Audit definition of ‘expedient’. The Audit Manager clarified that the scope of the report is always agreed with the Service Manager and that the judgement of professional officers would be a key contribution within the report.

With regard to the number of budgeted audit days, it was noted that 60% of the days had been used to date and a question was asked as to what percentage would be used at the end of the year, and will the shortfall be carried forward.

The Head of Internal Audit replied that some of the Quarter 4 audits have been delayed as agreed with management in order to support Officers during a period of dealing with high priority issues. However it is hoped that the delayed audits will be undertaken by the end of Quarter 4, but if not these will be carried forward into the new year without any loss to allocated audit days.

Following a discussion the Committee agreed that in future they would focus on Internal Audit red and medium risks.

RESOLVED that that the internal audit progress report attached at Appendix A to the report, and the status of outstanding recommendations at Appendix B to the report be noted.

INTERNAL AUDIT – AUDIT PLAN 2021/22

The Head of Internal Audit (HoIA) presented her report, giving an overview of the proposed Internal risk based Audit Plan for 2021/22, based on the approach agreed at the December 2020 Committee meeting for which 235 audit days had been commissioned, together with the Internal Audit Charter and Strategy.

A number of highlights of the proposed Internal Audit Plan included work and support on the Covid 19 recovery in order to provide assurance to the Council's response to the pandemic; work on the recovery phase e.g. flexible working arrangements; and work on the transformation programmes e.g. BC 25 Programme and the Smarter Services Reviews.

A number of questions were asked by Members as follows :-

1. Can the Covid-19 recovery scheduled for Quarter 2 start sooner ? Yes this can be scheduled sooner, and the HoIA will speak to the Corporate Management team.
2. With regards to the Internal Audit Charter and Strategy, paragraph 1.1 the introduction states that HDC's IA service is delivered under a delegated service agreement, led by Milton Keynes Council. Does best value apply to this and has there been any market testing by HDC in terms of IA provision ? The arrangement for IA is not a contract but is a delegated service as it is with another local authority. This has now been in place for a number of years. Formal delegation arrangements took place in 2018/19 from HDC to the shared service. At that time the Section 151 Officer did look at daily rates in comparison to other opportunities and as the service is a local authority it should deliver value for money.
3. Where do the recommendations from the Committee go to ? The Chairman advised that he would check the Constitution and notify the Committee.
4. In relation to IA Assignment on Asset Management, to what extent and how far would the IA team go on this particular area and could an example be provided as to what this assignment would entail ? This audit is split into two elements, the first concentrating on the corporate properties and compliance with corporate inspection regimes, health and safety etc. The second element is around the commercially owned assets and looks at leased units, how is the tenant relationship being managed, how the right level of income is being recovered and that good market rates are being charged and that this is being operated effectively. If a specific issue has been raised, the HoIA would expect that this would be brought up, if appropriate, as part of the audit planning process when the scope of the review is considered.

RESOLVED that the Internal Audit Plan for 2021/22 and the Internal Audit Charter be approved.

UPHELD COMPLAINTS: LOCAL GOVERNMENT AND SOCIAL CARE OMBUDSMAN 2019-2020

The Deputy Monitoring Officer presented the report detailing information relating to the upheld complaints where the Local Government and Social Care Ombudsman (LGSCO) has found fault in how the Council has handled the material complaint.

The Council had 7 recorded LGSCO complaints between 1 April 2019 and 31 March 2020. Two cases have resulted in an 'upheld' decision. This represents a 28.57% uphold rate, which is below the national average of circa 54%.

A request was made to include historical data and trends relating to complaints in order to show which areas complaints arose from. It was agreed that this information would be included in future reports.

RESOLVED that:

- (i) the content of the report be noted for information purposes.
- (ii) Ombudsman level complaints be routinely evaluated in order to understand any trends which may indicate systemic service failures.
- (iii) Ombudsman recommendations be implemented following the receipt of an upheld complaint outcome.
- (iv) an annual report to Audit and Standards Committee be provided detailing the previous year's upheld complaints and outcomes.

INTERNATIONAL STANDARD ON AUDITING (ISA) 260 2019-20

Mark Surridge and Victoria Gittings of Mazars, External Auditors, presented the Audit Completion Report. Signification findings from the audit included audit conclusions regarding significant risks and key areas of management judgement outline in the Audit Strategy Memorandum; Auditor comments in respect of the accounting policies and disclosures that HDC has adopted in the financial statements; any further significant matters discussed with management; and any significant difficulties experienced during the audit.

The significant risks included: Management override of controls; valuation of land and buildings, investment properties (where applicable) and assets held for sale (where material); and valuation of net defined benefit liability.

The Committee noted that one item required an adjustment, which had initially been proposed by management as an in-year adjustment, but which upon discussion had been changed to a prior period adjustment on the grounds of materiality. The item was a carrying value of one asset, measured at depreciated replacement cost, included £1,820k of land that was leased and not owned. The adjustment was to remove the carrying value of the land from the balance sheet and the revaluation reserve in the prior period, which carries through to the closing balance sheet at 31st March 2020. The adjustment had not impact on the Council's general fund.

In responding to concerns from the Committee, the External Auditors confirmed that they perform the appropriate testing based on their risk assessment and once the matter was identified and discussed with management, consideration was given as to whether that was pervasive or whether there maybe other matters, and it was judged that the testing was appropriate in recognition of that risk.

Further assurance was given by the Director, Finance and Assets in relation to the concern that the £1.8 million error doesn't happen again in that asset registers are reviewed periodically and checks are performed.

With regards to property valuations, it was confirmed that as valuations do fluctuate, both the External Auditors and HDC procure the use of a qualified valuer.

In relation to recommendation 'Further strengthening of local governance arrangements' relating to concerns over local authority investments in commercial property, under the Capital Programme

section of the report , the Director, Finance and Assets advised that there has been a significant change in the governance arrangements, stipulated by the government over the last 12 months. The Council did have significant commercial assets within the Capital programme that the Council could potentially buy, however the Auditors are highlighting that this now cannot be undertaken in the same way, as a sovereign authority could have previously done, due to the new governance arrangements. It was confirmed that the Council has local governance in place which reflects the national governance in place. It was noted that in relation to commercial investment, SIPFA is reviewing their Prudential Code.

RESOLVED that the content of the report be noted for information purposes.

FINANCIAL STATEMENTS 2019/20

The Committee considered the Council's Statement of Accounts for the 2019/20 financial year.

The Council's unaudited accounts for 2019/20 financial year have been completed. This position statement was intended to provide Members with an indication of the Council's overall financial performance in advance of the 30 November statutory deadline for the External Auditor to sign off the accounts (normally 31 August but extended this year because of Covid-19). However, the external audit was not completed by that date as our external auditors, Mazars LLP, were waiting to receive information from the auditors of the Leicestershire Local Government Pension Fund, Grant Thornton UK LLP.

Non-publication is not a reflection of the Council's financial standing or governance arrangements, both of which remain strong and robust.

The Accounts and Audit Regulations require that the annual statement of accounts for the preceding financial year must be completed, signed, dated and certified by the Responsible Financial Officer (the Chief Officer: Finance and Assets) by the 31 May of the current financial year in readiness for the external auditors to examine the accounts. This was delayed this year by the Accounts and Audit Regulations (Coronavirus) Amendments Regulation 2020 (SI 2020/404) to 31 August. The accounts were issued on 17 July 2020.

The Council's external auditors have been reviewing the statements and the working papers and the auditor is now ready to issue unqualified opinions on the Financial Statements and VFM Assessment in accordance with the Accounts and Audit Regulations. In accordance with the amended Accounts and Audit Regulations the statement and other related documents were made available for public inspection for a period of 10 days in July 2020 following their issue.

The amended Accounts and Audit Regulations require that the audited statement is published by 30 November. This situation of the audit being incomplete at this date is allowed for by Regulation 10, paragraph (2a) of the Accounts and Audit Regulations 2015.

Thus, as per paragraph (2a), a notification was published on the Council's website stating that the Council was not yet able to publish its audited 2019/20 final statements. When the outstanding information has been received and the audit complete, the Committee will consider the results at a meeting, after which the final audited accounts will be published.

In response to a question raised, it was confirmed that the Investment Property Policy note only relates to HDC and not HDC Commercial Services Ltd. As HDC Commercial Services Ltd is a private company these accounts are submitted to Companies House.

Members and the Section 151 Officer expressed thanks to the Council's Financial Services team, and to Mazars for delivering a high quality set of accounts.

RESOLVED that:

- (i) the Statement of the Accounts for 2019/20 as detailed at Appendix A to the report be approved and;
- (ii) the Chief Officer – Finance and Assets or deputy be authorised to make any further amendments noted at the meeting or prior to formal sign-off by the External Auditor by the end of March 2021.

FINANCIAL STATEMENTS – ACCOUNTING POLICY AND MATERIALITY

The accounting policy and materiality levels for the 2020/21 financial statements were considered by the Committee. The accounting policy and materiality levels need to be reviewed and agreed, prior to the beginning of the closure of accounts process. The finance team review the previous years accounting policies and any changes from the CIPFA Code of Practice on local authority accounting to form the accounting policies for the current year. The materiality level enables the finance team to identify significant variances and items that need disclosure in the financial statements.

RESOLVED that:

- (i) the accounting policies for the 2020/21 financial statements as set out in Appendix A to the report be noted.
- (ii) the materiality limits as set out in Appendix B to the report be agreed.

ANNUAL GOVERNANCE STATEMENT

The Annual Governance Statement is a critical component of the Council's governance arrangements. It is an evidenced self assessment by the Council on the Council's governance, assurance and internal control frameworks for the financial year 2019/20.

The Council's arrangements for delivering good governance are based on the seven core principles set out in the CIPFA/Solace guidelines (adopted by Governance and Audit Committee, March 2017) these being: (a) Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law; (b) ensuring openness and comprehensive stakeholder engagement; (c) delivering outcomes in terms of sustainable economic, social and environmental benefits; (d) determining the interventions necessary to optimise the achievement of the intended outcomes; (e) developing the Council's capacity including the capability of its leadership and the individuals within it; (f) managing risks and performance through robust internal control and strong public management; and (g) implementing good practice in transparency, reporting and audit to deliver effective accountability.

The Annual Governance Statement forms part of the Annual Statement of Accounts and is formally signed by the Chief Executive and Leader of the Council, emphasising that the document is concerned with corporate controls.

RESOLVED that the Annual Governance Statement for 2019/20 as detailed in Appendix A to the report be approved for inclusion in the 2019/20 Statement of Accounts.

LOCAL GOVERNMENT ASSOCIATION (LGA) MODEL CODE OF CONDUCT

The Chairman advised that due to unforeseen circumstances the LGA Model Code of Conduct would be considered by the Committee at the next meeting.

MATTERS OF URGENT BUSINESS

There were none.

The meeting closed at 8.30pm