

HARBOROUGH DISTRICT COUNCIL

MINUTES OF THE AUDIT AND STANDARDS COMMITTEE MEETING

Held in The Council Chamber,
The Symington Building, Adam and Eve St, Market Harborough

On Wednesday 27th April 2022

Commencing at 6.30pm

Present:

Councillor Dr Bremner (Chairman)

Councillors: Golding, Johnson, Knowles, Nunn, Wood

Officers: C. Bentley, C. Bland, L. Elliott, S. Green, N. Kwasa, C. Mason, B. Morris

Internal Auditors (LGSS): R. Ashley Caunt

External Auditors (Mazars): M. Surridge

Apologies:

Councillors Dunton, Hollick

INTRODUCTION

The Chairman welcomed everyone to the meeting and introduced the Members and officers present.

1. APOLOGIES FOR ABSENCE AND NOTIFICATION OF SUBSTITUTES

Apologies were received from Councillors Hollick and Dunton. Councillor Dunton was substituted by Councillor Barbara Johnson.

2. DECLARATIONS OF MEMBERS' INTERESTS

There were none.

3. MINUTES OF THE PREVIOUS MEETING

RESOLVED that the Minutes of the Meeting of the Audit and Standards Committee held on 2nd March 2022 be approved and signed by the Chairman as a true record.

4. REPORT 1: UPDATE OF THE INTERNAL AUDIT ANNUAL REPORT AND ASSURANCE OPINION 2020/21

The Head of Internal Audit and Counter Fraud presented the report, the purpose of which was for the Committee to receive and consider the updated Internal Audit Annual Report and Assurance Opinion 2020/21.

She noted that, having revisited the Annual Opinion, two additional paragraphs had been included on pages 14-15 of the agenda pack under the heading “March 2022”. Her overall assurance opinion of satisfactory assurance remained the same save for a caveat in relation to asset related major projects where a limited assurance opinion has been given.

She invited questions from the Committee and the following questions and responses were recorded:

Question/comment	Response
It is good that it is acknowledged that there has been a robust response from the Council’s management on issues raised. A positive outcome.	Noted.
At the closed session at the last meeting of the Committee, five actions were taken away for completion by end of March. Can I ask if we can have a management response to that at the next Committee meeting?	The Director of Finance, ICT and Assets confirmed that the implementation of these actions would be reviewed as part of the regular Internal Audit update report to the Audit and Standards Committee.

Following the discussion, it was,

RESOLVED that the updated Internal Audit Annual Report and Assurance Opinion 2020/21 be noted.

5. REPORT 2: EXTERNAL AUDIT ANNUAL REPORT 2020/21

The External Auditor presented the report the purpose of which was for the Committee to consider the External Audit Annual Report 2020/21. He informed the Committee that it is now a requirement to issue a commentary on the Local Authority’s arrangements to secure value for money. The report is designed to give the Authority and public a broad level of assurance and commentary on financial sustainability, governance, and arrangements for economy, efficiency, and effectiveness.

He invited questions from the Committee and the following questions and responses were noted:

Question	Response
<p><u>General</u> What time are you going to commit in the next year to monitoring this situation? Is this going to be time consuming? Where are we now and how will it evolve?</p>	<p>Yes, this new approach took a lot of additional time compared to previous years because we were starting with a blank canvas. Charges incurred have been passed on to the Council. Next year the work will be marginally less but not significantly less.</p>
<p><u>The Medium-Term Financial Strategy (MTFS)</u> Page 51 - you flagged up the property acquisition and disclosed policy as ineffective. Although this has now been resolved, is it something that you will be monitoring because if it goes wrong again the financial impact to the Council would be considerable.</p>	<p>Challenges around the sector continue to be high. It is important that we continue to look at the MTFS and its underlying assumptions to give you as an Authority the assurance they have been looked at.</p>
<p><u>General</u> It was noted that the presentation of this report in black and white was a struggle to read.</p>	<p>It was noted that papers are expensive to print it in colour and all reports can be viewed in colour electronically. Officers agreed to look into the production of grayscale copies when required.</p>
<p><u>General</u> Regarding these new arrangements you are required to undertake, are you expecting significant changes around the amount of work needed for this, do you see it decreasing or increasing in the future?</p>	<p>The arrangements and guidance have not changed. There is a process of annual review around the approach and guidance, but no changes are expected for 2021/2022. That is not to say there will not be changes in future.</p>
<p><u>General</u> Is there a flow chart of the BC25 tranches that could be shared with the Committee?</p>	<p>BC25 was undertaken as a project to effectively to get us to a certain position, and that has now finished. We are now putting in place good, strong, robust financial planning and continuous improvement. There are no flow charts, but financial processes will be linked up with service planning and performance will be monitored.</p>
<p><u>General</u> How will performance be transmitted to Members? Could the Business Planning Manager create a BC25 action report that can be accessed through Pentana?</p>	<p>Individual service reviews have been reported to Cabinet and Scrutiny and approved through the MTFS. Officers will look into the possibility of reporting through Pentana.</p>

Following the discussion, it was,

RESOLVED That the External Audit Annual Report 2020/21 be noted.

6. REPORT 3: APPROVAL OF THE COUNCILS 2020.21 ANNUAL GOVERNANCE STATEMENT AND THE ANNUAL FINANCIAL REPORT

The Director of Finance, ICT and Assets presented the report, the purpose of which was to consider the external auditors Audit Completion Report (ACR) in respect of the Annual Governance Statement (AGS) and Annual Financial Report (AFR), and then accept the AGS and approve the AFR. He invited the External Auditor to comment on the report who highlighted the salient points and noted that it was a good report for the Authority. The Chairman invited questions from the Committee and the following questions and responses were noted:

Question	Response
<u>Status of Audit</u> On page 77, can you clarify the status of the two outstanding matters?	It was confirmed that they were marked as green.

The Committee then considered the 2020/21 Annual Governance Statement (Appendix 2), Letter of Representation (Appendix 3) and the Annual Financial Report (AFR, Appendix 4).

The Chairman invited questions from the Committee and the following questions and responses were noted:

Question	Response
<u>Annual Governance Statement</u> Is it normal practice to sign it before it comes to the final Audit Committee?	Yes, there was a deadline by which it had to be signed.
<u>General</u> How do we invest our reserves?	Reserves are separated into non cash-backed reserves and cash-backed reserves. Investments relate to cash-backed reserves, and these are allocated and used on an ongoing basis. We have earmarked specific projects which, when we set the budget are clearly shown on the reserves statement. There is a mixture of investments for cash-backed reserves that we have within our balance sheet.
Is it part of the External Auditor's remit to review investments?	Yes.

<p><u>Members Allowances</u> It looks like a digit is missing from the 20/21 expenses - 19/20 was 39, 20/21 was nine. Perhaps this is Covid-19 related, can you clarify?</p>	<p>Yes, people were not travelling into the Council building to attend committee meetings.</p>
<p><u>Hypothetical</u> If the Council purchased something for a figure and the auditors thought the figure was excessive and did not represent true value for the Council's investment for the record, would they be required to bring that to the attention of the Council.</p>	<p>The Auditor's view is drawn from whether the figure in the financial statements is appropriate. Purchase price is different to the valuation and financial statements and what we are interested in is the process that has been undertaken. We draw attention to anything which we believe is significant above a minimum threshold.</p>
<p><u>Addendum Report</u> Can you clarify the contents?</p>	<p>As part of our process for issuing our conclusion we go through a number of quality control checks with both our consulting partner as well as our internal technical group and as a result they suggested adding a sentence into our report. This does not result in any fundamental changes.</p>

The Vice-Chairman thanked all the officers for their hard work on the reports and for achieving the significant deadline by the end of May.

Following the discussion, it was,

RESOLVED: That the Audit and Standards Committee:

1. Received the Audit Completion Report from the external auditor and made comments as they considered necessary (Appendix 1).
2. Received the 2020/21 Annual Governance Statement, duly signed by the Leader of the Council and Interim Chief Executive (Appendix 2).
3. Noted the Letter of Representation (Appendix 3) as authorised by the Director; Finance, ICT and Assets (as the s.151 officer).
4. Approved the 2020/21 Annual Financial Report (AFR, Appendix 4) and gave delegated powers to the Chairman of the Committee and Director; Finance, ICT and Assets (as the s.151 officer) to authorise and sign the AFR on behalf of the Council subject to the auditors confirming an unqualified opinion on the AFR.

7. ANY URGENT BUSINESS.

There was none.

The Meeting closed at 7.20pm