

AUDIT AND GOVERNANCE COMMITTEE

29th July 2020

Present: Councillor Alan Amos in the Chair
Councillors Agar, Barnes (Vice-Chairman),
Bisset, Hassan, S. Hodgson, Roberts and
Udall

Officers: Andy Bromage, Head of Internal Audit
Mark Baldwin, Head of Finance
Shared Service
Shane Flynn, Corporate Director – Finance
and Resources
Sian Stroud, Deputy Director –
Governance

Also in Attendance:

Hassan Rohimun and Natalie Ryan, Ernst &
Young

1 Declarations of Interest

None.

2 Public Participation

None.

3 Minutes

RESOLVED: That the minutes of the meeting held on 18th December 2019 be approved as a correct record and signed remotely by the Chairman.

4 Annual Governance Statement

The Committee considered the Council's draft Annual Governance Statement 2019/20.

The Deputy Director – Governance presented the report and highlighted the main points. She explained that the Code had been arranged in accordance with the 7 principles of the Local Code of Corporate Governance, which had been approved in July 2019. The overall picture demonstrated continued progress and a sustained focus on improving the Council's governance arrangements, taking into account the positive feedback and recommendations further improvements arising from the Corporate Peer Challenge. Feedback from the Corporate Peer Challenge process will be incorporated into the Corporate Governance Action Plan along with some governance improvement work which could not be prioritised during the Covid-19 emergency period.

Committee Members expressed support for the approval of the report and welcomed the new format.

RESOLVED: That the Committee:

- 1. approve the Annual Governance Statement 2019/20 at Appendix 1 for sign off by the Leader of the Council and the Managing Director for inclusion in the Annual Statement of Accounts; and**
- 2. note that the Local Code of Corporate Governance and Corporate Governance Action Plan will remain in their current format for the coming year with reports on progress being brought to future meetings of the Committee.**

5 Corporate Risk Management Report Q4 - 2019/20

The Committee received a report on progress made against the corporate risks for quarter four, the period of January – March 2020.

The Corporate Director – Finance and Resources presented the report and responded to questions from Committee Members.

In the ensuing discussion, reference was made to the Council's return to work plans for office based staff. The Corporate Director explained that the plans acknowledge the potential for a Covid-19 second wave and local outbreaks. Plans will reflect this and it is not expected that all teams will be in the office at the same time, where it remains possible to work from home.

RESOLVED: That the Committee note the report.**6 Update on External Audit for 2019/20**

The Committee received an update on the external audit of the Council's draft Annual Statement of Accounts for 2019/20, which had been published on 23rd June 2020.

The Corporate Director – Finance and Resources presented the report and explained that the statutory deadline had been extended from 31st May due to the impact of the Covid-19 lockdown. The external audit commenced on that date and was being performed remotely with the same team auditing all three district councils in south Worcestershire simultaneously. The statutory deadline for the external auditor to issue the audit opinion had been extended from 31st July to 30th November 2020.

Hassan Rohimun gave an update on the main points including the impact of Covid-19 and additional risks that had been identified as a result. The additional work had extended the duration of the audit and the final accounts and audit report will now be presented to the next meeting of this Committee. Natalie Ryan additionally commented on the audit work done to date. She explained the work had progressed satisfactorily given the circumstances and no significant findings had been identified.

In the ensuing discussion, the following main points were made:

- Any additional work that is required is determined by the external auditors and relates to increased risks identified due to Covid-19. The associated fees are likely to be between £11k and £15k, although this is an estimation.
- The Council's valuer has identified the potential for material uncertainty and the statements have acknowledged this. They reflect the position as at 31st March 2020.

RESOLVED: That the Committee note the comments in the external auditor's report 'Audit Update for the Year Ended 31st March 2020.'

7 Internal Audit 2019/2020 Annual Report including the Audit Opinion and Commentary

The Committee considered a report on Internal Audit activity during 2019/20 and an overall Internal Audit Opinion.

The Head of Internal Audit Shared Service presented the report and highlighted the main points. He made reference to one minor amendment on page 46. Of the audit reviews that took place, 13 of 16 have been allocated an overall assurance of 'moderate' or above, not 11 of 14. Furthermore, the Sixways Depot audit has been rolled forward to 2020/21 due to the Covid-19 pandemic and the additional work undertaken by the Council's Operational Services as a consequence.

There were no questions from Committee Members on this report.

RESOLVED: That the Committee note the report.

8 Internal Audit Progress Report for 2020/2021 including residual reporting from 2019/2020

The Committee considered an update on Internal Audit's progress towards meeting its objectives as set out in the audit plan for 2020/21 as well as residual reporting for 2019/2020.

The Head of Internal Audit Shared Service presented the report and summarised the main points. He explained that the 2020/21 plan has been slow to start due to the focus on critical service provision throughout the organisation since lockdown commenced. The 2020/21 plan will now reflect the delayed start and as it is currently difficult to accurately assess the ongoing impact of restrictions it will be need to be very flexible. He gave an assurance that there is sufficient resource for the Internal Audit Shared Service to progress the plan and the Committee will be regularly informed of developments throughout the year.

The Head of Internal Audit Shared Service responded to questions from Committee Members.

In response to a question about a regular unidentified receipt (page 65), the Head of Internal Audit Shared Service stated that he did not have the information readily available and a written response will be provided.

RESOLVED: That the Committee note the report.

9 **Draft Annual Audit Plan Report 2020-21**

The Committee considered a report on the City Council's Draft Internal Audit Operational Plan and the Internal Audit Shared Services key performance indicators for 2020/21.

The Head of Internal Audit presented the report and explained that, as referenced in the previous item, due to the huge impact that the Covid-19 pandemic, there is a need for flexibility in the plan due to a changing risk profile including any emerging risks as a consequence of Covid-19 and the 'new normal.' To ensure flexibility the plan will be updated during the year. Changes will be agreed by the s151 Officer and the Committee will be regularly informed of developments throughout the year and will have an opportunity to input into the plan..

In the ensuing discussion, the following main points were made:

- Officers will work closely with partners to identify any indications of fraud in relation to business grants and discretionary grants that have been issued, and to minimise any potential for fraud going forward.
- New processes and procedures will emerge due to the changes that have taken place to working arrangements. Internal Audit will work flexibly with all services to ensure that their systems and the control environment are fit for purpose.

RESOLVED: That the Committee approve the Draft Internal Audit Plan and Key Performance Indicators.

10 **Any Other Business**

In response to a question about the provision of agenda papers for remote meetings, Members were advised that printed copies are sent to Members on request. Officers acknowledged that it is timely to review the arrangements and will look at options going forward.

11 **Item Involving the Disclosure of Exempt Information**

RESOLVED: That under Section 100A(4) of the Local Government Act 1972, the press and public be excluded from the meeting for the following item of business on the grounds that it involves the likely disclosure of information as defined in Schedule 12A of the said Act.

12 **LSD PROMOTIONS LTD – Outstanding Invoice**

The Committee considered a report from the Corporate Director – Finance and Resources in relation to outstanding payments due from LSD Promotions Ltd in relation to the 2018 and 2019 Victorian Christmas Fayres and the process for resolving these. The report contained commercially sensitive information and was not for publication. The Committee noted the content of the report.

Duration of the meeting: 7.00p.m. to 8.50p.m.

Chairman at the meeting on
23rd November 2020