

**AUDIT COMMITTEE  
19TH NOVEMBER 2019**

PRESENT: The Chair (Angell)  
The Vice Chair (Councillor Bolton)  
Councillors Bolton, S. Bradshaw, Charles, Hadji-Nikolaou, C. Harris and Parsons

Head of Strategic Support  
Strategic Director of Corporate Services  
Sustainability Officer  
Team Leader Natural & Built Environment  
Head of Customer Experience  
Information Technology Delivery Manager  
Internal Auditor  
Democratic Services Officer (SW)

M Surridge – External Auditor

The Chair stated that the meeting would be recorded and the sound recording subsequently made available via the Council's website. He also advised that, under the Openness of Local Government Bodies Regulations 2014, other people may film, record, tweet or blog from this meeting, and the use of any such images or sound recordings was not under the Council's control.

72. MINUTES FROM THE PREVIOUS MEETING

The minutes of the meeting of the Audit Committee held on 24th July 2019 were confirmed as a correct record and signed.

73. DISCLOSURES OF PECUNIARY AND PERSONAL INTEREST

No disclosures were made.

74. QUESTIONS UNDER OTHER COMMITTEE PROCEDURES 12.8

No questions had been submitted.

75. EXTERNAL AUDITORS - ANNUAL AUDIT LETTER 2019

A report of the External Auditors setting out the Annual Audit Letter for 2018/19 (item 5 on the agenda with these minutes).

Mark Surridge, representing the External Auditors, attended the meeting to assist the Committee with the consideration of this item.

The Committee was advised that;

- i. Meetings between the External Auditors and relevant Council Officers would commence in January 2020, following preliminary research undertaken by the External Auditors
- ii. The pensions liability increase of £4 million was an accounting adjustment as opposed to a cash adjustment. The Council had not been required to identify additional funding to support the pension fund. This had affected each Local Authority and was considered to be reasonable. There was a tri-annual review of pension fund liability and assurance of pension fund value was given by the external Pension Fund Auditor
- iii. Lease accounting was the process which Public Sector leasing was due to adopt. Accounting standards would require organisations to financially assess liability, but this was an accounting change and would not affect the general fund.

**RESOLVED** that the report be noted.

Reason

To acknowledge the Committee's consideration of the item.

76. ENVIRONMENTAL AUDIT OUTCOMES - PROGRESS UPDATE

A report of the Head of Planning and Regeneration was submitted updating the Committee on progress made against action identified in environmental audits undertaken for March 2019 (item 6 on the agenda filed with these minutes).

The Sustainability Officer and Natural and Built Environment Team Leader attended the meeting to assist the Committee with the consideration of this item and

**RESOLVED**

1. that authorisation from Severn Trent Water for the Council to discharge trade effluent at the Ark Business Centre, as referred to in the report, be followed up.
2. that the report be noted.

Reason

1. to assure the Committee that the issue was being dealt with in a timely manner.
2. to acknowledge the Committee's consideration of this matter.

77. AGENDA VARIANCE

**RESOLVED** that item 13 (exempt) on the agenda be considered prior to the remaining items.

Reason

So that the Officers attending for item 13 did not need to attend the meeting any longer than necessary.

78. EXEMPT INFORMATION

It was resolved that members of the public be excluded from the meeting during the consideration of the item on the grounds that it involved the likely disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972, and the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

*At this point in the meeting the sound recording was switched off and members of the public were excluded.*

79. ANNUAL IT HEALTH CHECK (CODE OF CONNECTION)

An exempt report of the Head of Customer Experience was submitted to provide assurances to the Committee on the security of the Council's network (item 13 on the agenda filed with these minutes).

The Head of Customer Experience and the Information Technology Delivery Manager attended the meeting and assisted with consideration of the item.

A summary of the Group's discussion on this matter is provided in the exempt minute (Audit Committee 79E 2019/20).

**RESOLVED** that the report be noted along with the actions undertaken to comply with the ITHC recommendations.

Reason

To acknowledge the Committee's consideration of this item and to ensure the Committee is kept up to date with the Council's progress.

*At this point in the meeting the sound recording was switched on and the public were readmitted to the meeting following the consideration of the above item.*

80. TREASURY MANAGEMENT - MID YEAR REVIEW

A report of the Head of Finance and Property Services was submitted reviewing the Treasury Management Strategy and the Annual Investment Strategy, plus the various Prudential Borrowing and Treasury Indicators for the first six months of 2019/20 (item 7 on the agenda filed with these minutes).

The Strategic Director of Corporate Services, Governance and Procurement attended the meeting and assisted with the consideration of the report.

The Committee was advised that:

- i. The decision had not yet been made regarding the percentage of funding the Council would borrow for the purchase of fleet for the Environmental Services Contract, priced at approximately £5 million. The proposed borrowing of £5 million in order to potentially fund the purchase of fleet would be a safety net. If the borrowed funds were not utilised for purchase of the fleet, the Council would not reallocate funds without Cabinet and Full Council approval and there were controls over the use of borrowing.
- ii. It was common for a Local Authority to have a borrowing limit that was in excess of the need and Councils were not permitted to borrow in advance of need.
- iii. There had been no borrowing for the general fund as the Council had financed its Capital Programme using capital receipts and surplus reserves in the revenue fund. However, external resources could potentially be required for future spending.
- iv. Capital expenditure was presented to the Committee in month six based upon actual spending and invoicing. This did not provide the best indication of spending, as there were various costs incurred in month seven. The profiling of the capital spend was being reviewed internally and a new Capital Plan would be presented with revised presentation of data.
- v. The £216k investment interest figure at six months was performing in line with expectations.

## **RESOLVED**

1. that amendments be made to the report under 4.4 Limits to Borrowing Activity, in which the authorised limit for external debt is displayed in thousands as opposed to millions.
2. that a brief update on the Treasury Management be considered by the Committee at its meeting in February 2020.
3. that a report be received by the Committee on the External Properties Funds, including information on the Fund's interest rate, at its meeting in February 2020.
4. that the mid-year review of the Treasury Management Strategy Statement, Prudential Borrowing and Treasury Indicators plus the Annual Investment Strategy, as shown in Part B, be noted.

## Reasons

1. to ensure that the figures in the report are accurate.
2. to ensure the Committee receives accurate data on expenditure following the costs incurred in month seven, providing a more accurate indication of capital expenditure across the year.

3. to ensure the Committee receives information on the interest rate earned by the Council's External Property Fund's investments, and what the proportion of the £216k investment rate figure at six months was from this fund.
4. to confirm that the Committee had considered and noted the report.

## 81. INTERNAL AUDIT PLAN - PROGRESS

Councillor Hadji-Nikolaou left the meeting at 7pm.

A report of the Head of Strategic Support was considered summarising the progress made against outstanding audits for 2018/19 Audit Plan and progress in respect of the 2019/20 Audit Plan (item 8 on the agenda filed with these minutes).

The Head of Strategic Support and the Internal Auditor attended the meeting and assisted with consideration of the report.

The Committee was advised that:

- i. The recruitment process undertaken by North West Leicestershire Council of the Senior Auditor post had initially been through a national local government employment database. During the second recruitment phase, it was proposed that a specialist Auditing recruitment database be used. The position was being offered at a Principal Officer grade, but the recruitment of experienced Auditors was difficult.
- ii. The resilience measure of a shared internal audit service would have provided an opportunity for the Council to overcome issues relating to incomplete workloads, but this was now unlikely to commence until April 2020 at the earliest.
- iii. The effectiveness of the overall control environment is assessed by the External Auditors as an indicator of the underlying risk assessment. The Committee would benefit from:
  - receiving information prior to reviewing the 2019/20 Annual Governance Statement, focussing on the defence and assurance framework within the Council. This would look at key areas of risk, Management assurance and independent assurances.
  - reviewing the audit plan and assessing whether the shared Internal Audit service was the most appropriate option for the Council.

## **RESOLVED**

1. that Members of the Committee escalate their concerns relating to the internal audit service to Cabinet for consideration through the Chair and Vice Chair.

2. that information on internal audit outsourcing costs be supplied to the Committee.
3. that the report be noted.

#### Reasons

1. to ensure the Council's internal audit process is undertaken properly and in a timely manner, and so that Cabinet could decide the most appropriate way to increase resilience of the Council's internal audit function.
2. in order for the Committee, in consultation with the Cabinet, to make an informed decision on the most appropriate way to increase resilience of the Council's internal audit function.
3. to acknowledge the Committee's consideration of the item and to ensure that the Committee is kept informed of progress against the approved Internal Audit Plans.

#### 82. RISK MANAGEMENT (RISK REGISTER) UPDATE

A report of the Head of Strategic Support was submitted providing the Committee with an update on the Strategic Risk Register produced for the period 2019/20 (item 9 in the agenda filed with these minutes).

The Head of Strategic Support attended the meeting and assisted with consideration of the item.

#### **RESOLVED**

1. that a mitigation be noted for Strategic Risk 4 regarding funding streams dissolving following the development of the Commercialisation Strategy.
2. that the report be noted.

#### Reasons

1. to ensure that potential risks are recorded and considered to minimise the impact of the risk.
2. to ensure the Committee is kept informed of progress against the strategic risks that, should they crystallise, would cause the Council to be unable to operate and/or provide key services leading to a significant adverse effect on public wellbeing.

#### 83. COUNCIL'S USE OF REGULATION OF INVESTIGATORY POWERS ACT (RIPA)

A report of the Head of Strategic Support was submitted providing the Committee with a summary of the Council's use of RIPA powers (item 10 on the agenda filed with these minutes).

The Head of Strategic Support attended the meeting and assisted with consideration of the report.

The Committee was advised that in the event that an external organisation requested use of the Council's CCTV systems, evidence of a RIPA would need to be supplied to the Council's CCTV Control Room Manager.

**RESOLVED** that it be noted that there had been no use of RIPA powers by the Council for the period from 1st May 2019 to 31st October 2019.

Reason

To enable the Committee to comply with the request from Cabinet that the Audit Committee assumes responsibility for receiving a quarterly report on the use of RIPA, and to report to Cabinet any concerns arising from those reports that may indicate that the use of RIPA is not consistent with the Policy or that the Policy may not be fit for purpose.

84. WORK PROGRAMME

A report of the Head of Strategic Support was submitted to enable the Committee to consider its work programme (item 11 on the agenda filed with these minutes).

**RESOLVED**

that the Committee proceeds on the basis of the following work programme, which incorporates all decisions made at this meeting:

ISSUE	MEETING
<b>Internal Audit Business</b>	Ongoing
Internal Audit Plan – Progress	18th February 2020
	Quarterly
Risk Management (Risk Register)	18th February 2020
	Quarterly - detailed report every six months, exception report quarters in-between.
Council's Use of Regulation of Investigatory Powers Act (RIPA)	18th February 2020
	Quarterly
2019/20 Treasury Management Statement, Annual Investment Strategy and MRP Strategy	18th February 2020
	Annually
2020/21 Internal Audit Plan	18th February 2020
	Annually
2019/20 Treasury Management	18th February 2020

Update	
External Properties Fund – Interest	18th February 2020
2019/20 Annual Internal Audit Report	9th June 2020 Annually
2019/20 Review of the effectiveness of Internal Audit (Feedback from Panel)	9th June 2020 Annually
Internal Audit Charter	9th June 2020 Annually (for approval)
2019/20 Members’ Allowances Claimed	9th June 2020 Annually
Whistle Blowing and Anti-fraud, Corruption and Bribery	9th June 2020 Annually
Environmental Audits – Report on Outcomes	9th June 2020 Annually Note: Six month exception report where identified actions are not implemented by the target date.
2019/20 Treasury Management Outturn	9th June 2020 Annually
2019/20 Statement of Accounts	28th July 2020 (Accounts Meeting) Annually
2019/20 Annual Governance Statement and Review of the Code of Corporate Governance	28th July 2020 (Accounts Meeting) Annually
Environmental Audits Outcomes – Progress update	22nd September 2020
Annual IT Health Check (Code of Connection) Confidential Report	22nd September 2020 Annually
Treasury Management Mid-Year Review	22nd December 2020 Annually
Future of Local Public Audit	Report on Government proposals considered 5th July 2011. Further report once final regulations/guidelines are known. Note: Appointing Your External Auditor briefing note considered June 2016.

. Policy for Engagement of External Auditors for non-audit work	Considered March 2013. Review policy - date to be agreed
External Audit Business	Ongoing
External Audit Progress Report and Technical Update	18th February 2020 Quarterly
2019/20 Annual Audit Letter	18th February 2020 Annually
Certification of Claims and Returns (2019/20 Audit)	18th February 2020 Annually
2020/21 External Audit Plan	18th February 2020 Annually
2019/20 Annual Governance Report	28th July 2020 (Accounts Meeting) Annually

NOTES:

1. No reference may be made to these minutes at the Council meeting on 20th January 2020 unless notice to that effect is given to the Democratic Services Manager by five members of the Council by noon on the fifth working day following publication of these minutes.
2. These minutes are subject to confirmation as a correct record at the next meeting of the Audit Committee.