

**AUDIT COMMITTEE
9TH FEBRUARY 2021**

PRESENT: The Chair (Bev Angell)
The Vice Chair (Councillor Bolton)
Councillors S. Bradshaw, Charles, Parsons,
Boldrin and Taylor

Strategic Director; Environment and Corporate
Services

Strategic Director; Commercial Development,
Assets and Leisure

Head of Strategic Support

Head of Financial Services

Audit Manager

Senior Auditor

Democratic Services Officer (NC)

Democratic Services Officer (EB)

M. Surridge – External Auditor

APOLOGIES: None

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.

41. MINUTES OF THE PREVIOUS MEETING

The minutes of the meeting of the Committee held on 22nd December 2020 were confirmed as a correct record and signed.

42. DISCLOSURES OF PECUNIARY AND PERSONAL INTEREST

No disclosures were made.

43. QUESTIONS UNDER OTHER COMMITTEE PROCEDURES 12.8

No questions had been submitted.

44. 2020/21 ANNUAL AUDIT LETTER

A report of the External Auditors setting out the Annual Audit Letter for 2019/20 (Item 5 on the agenda filed with these minutes).

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

It was noted that the audit had been delayed due to assurances from the Pension Fund not being received in time and thus meaning that financial statements had not met the deadline. All work was now fully complete with no new matters arising and only the residual aspect outstanding. As such items could be closed and a conclusion issued.

The External Auditors confirmed their independence and assured the Committee that they were objective in their conclusions.

It was noted that 'Note X' on page 18 would be given a correct reference in the final version of the report.

The Committee were advised in response to questions that:

- additional costs were independently appointed by local authorities through a separate terms of engagement. These items were not distinct to Charnwood Borough Council and were a reflection of the wider market and the onset of Covid-19. Additional costs often came about as a result of errors and peculiarities and were not isolated to the Council.
- information on the Redmond Review and the length of the arrangement would be clarified.
- An explanation was given clarifying the classification of non-audit work.

It was noted that the Audit letter could now be signed by the Chair and arrangements made to complete this.

RESOLVED that the report be noted.

Reason

To acknowledge the Committee's consideration of the matter.

45. CAPITAL STRATEGY (INCLUDING THE TREASURY MANAGEMENT STRATEGY) FOR 2021/22

The Head of Financial Services submitted a report on the Capital Strategy (Item 6 on the agenda filed with these minutes), which was required under the terms of the 'Prudential Code', a statutory code of practice.

The report also set out the Treasury Management Strategy Statement together with the Annual Investment Strategy and Minimum Revenue Provision (MRP) Policy. These latter strategies and the MRP policy were integral to the overarching Capital Finance Strategy and were therefore presented within a single report for context.

Strategic Director; Commercial Development, Assets and Leisure, the Strategic Director; Environment and Corporate Services and The Head of Financial Services attended the meeting and assisted with consideration of the item.

It was noted that there was a minor error regarding the date that the Revised Capital Plan was subject to approval by Council.¹ This would be amended.

It was noted that the Strategy was the same as that of the previous year other than the withdrawal of the Commercial Investment Strategy. Within this strategy there would be no purchase of commercial property in the 2021/22 financial year. Any change in this strategy would be subject to a report to Cabinet.

Members of the Committee raised concerns regarding the removal of investment in commercial property. Particular concern was expressed that the measurement criteria, which had previously been extensively discussed, should be seen by the Audit Committee should they be included in future.

The Committee were advised in response to questions that:

- borrowing statistics included borrowing from other budgets within the Council. Borrowing externally (i.e. from the Public Works Loan Board (PWLBB)) would depend on whether opportunities arose to invest in areas such as the Enterprise Zone or regeneration and such borrowing would be subject to Cabinet approval. If no such opportunities arose then an internally borrowed position would likely be maintained.
- the Enterprise and Careers Hub had originally been purchased with advance funding from the Loughborough Town Deal. To facilitate this and give Loughborough College a period of reduced risk a lease had been arranged and the College were obliged to pay rent following the three-year rent-free period. This was not a financial liability for Council as the College would be liable for rates and operating costs. After this period the lease could be continued at a market cost or broken and the building re-let, meaning it came back to CBC.
- the accommodation review to make better use of the estate that included the Enterprise and Careers Hub would likely take three to five years to fully deliver and this would be coming out of a Government town funding grant rather than from revenue or capital.
- there was a distinction between regeneration and investment property. Anything purchased outside of the borough would be difficult to justify as regeneration.
- It was clarified that Solicitors and technical staff recruited to work on the commercial property were not permanent staff recruited by the Council, as such there were no concerns about the allocation of staff.
- regarding capital expenditure:
 - £22,708,000 was the final figure for commercial investments.
 - There would be some Enterprise Zone expenditure against the budget of £15 million by the end of the financial year.
 - Against the General fund of £12.5 million it was envisaged that spending would be increased. However, it would be envisaged that some project would be some carry-over of schemes into the next financial year.

¹ Post meeting note: Following the meeting it was determined that the date was correct, but the following wording needed to be changed: “*which is subject to approval by Council 9 November 2020*” be corrected to read “*which was approved by Council 9 November 2020*”.

- Some schemes, particularly relating to the Housing Revenue Account (HRA) had been affected by the Covid-19 pandemic and as such it was envisaged that there would be some carry-over of schemes into the next financial year.
- Spending out of the £15 million budget on regeneration would be unlikely.
- the figures on HRA contributions were made up of depreciation and revenue contribution to capital.
- it was likely that underspends on the HRA would be carried forward.
- The figures on HRA contributions would be clarified by the Head of Financial Services as they appeared to be higher than expected. This would be circulated to the Committee when available.

RESOLVED

1. That the Capital Plan be noted and the recommendations to Cabinet be supported subject to Resolution 2 below

2. That Cabinet be asked to note the Audit Committee's concern about the removal of the measurement criteria relating to future investment in Commercial Property.

Reasons

1. To acknowledge the Committee's consideration of the item.
2. To ensure Cabinet are aware of the removal of these criteria, and that if they are reinstated at any point in the future a formal approval process will be required, which should involve the Audit Committee.

46. INTERNAL AUDIT PROGRESS REPORT 2020/21 TO 31ST JANUARY 2021

The Head of Strategic Support submitted a report summarising the progress against the 2020/21 Audit Plan, outlining key findings from final reports and any outstanding recommendations (Item 7 on the agenda filed with these minutes).

The Audit Manager attended the meeting and assisted with consideration of this item and noted that:

- Good progress was being made against the plan.
- The plan was on track to be 75% complete by 31st March 2021 and 100% complete by the time of the Annual Governance Statement.
- The Right to Buy audit had been issued with reasonable assurance.
- There were no significant weaknesses in the audit.
- The Payroll Audit had been issued with substantial assurance.
- Since the last meeting of the Audit Committee there had been good progress from the Housing Service on recommendations made.
- All overdue recommendations were at a reasonable stage of progress and should be concluded soon.

RESOLVED that the Committee noted the progress report set out in Appendix 1.

Reason

To ensure the Committee is kept informed of progress against the Internal Audit plan and work of Internal Audit.

47. 2021/22 INTERNAL AUDIT PLAN

The Head of Strategic Support submitted a report presenting the proposed Internal Audit Annual Plan for 2021/22, including the proposed IT Audit Plan for 2021/22 (Item 8 on the agenda file with these minutes.)

The Audit Manager attended the meeting and assisted with consideration of this item and noted that the plan was based on risk assessment and took into account the views of senior management.

The Committee was advised that Audits had been moved from the current plan due to issues surrounding the Covid-19 pandemic. These had been revisited with Heads of Service and where risk remained, they had been brought forward into the 2021/22 plan. Audit days and timings within the plan were indicative and likely to change as the year went on. It was important to recognise that the plan needed to be flexible and able to respond to risks and that the Committee should expect audits to be removed and added. Time had been added for Covid-19 related assurance work.

The 2020/21 plan had been re-prioritised to audit the key financial systems in full and as such it was not expected that as much work on key financial systems would be undertaken in 2021/22, although time had been allocated to allow for any work needed due to changes.

Advisory time had been allocated to the 'Workplace and People' programme.

The plan included a contingency of 16 days. If resources were needed for a large investigation a review would need to take place to ascertain whether reprioritisation was required.

Regarding the ICT audit, 2021/22 was the final year of contract with BDO to deliver specialist audits, it was planned to revisit this in the first quarter of the financial year to ensure that they were the most appropriate and add the most value.

In response to a question the Committee was advised that there was flexibility in the contingency and any changes would be considered by the Committee on a regular basis

RESOLVED that the Committee approve the proposed audit plan as set out in the appendix.

Reason

To ensure that Internal Audit resources are effectively utilised.

48. EXTERNAL QUALITY ASSESSMENT OF INTERNAL AUDIT

The Head of Strategic Support submitted a report presenting the findings, and associated action plan, of the External Quality Assessment of Internal Audit that was carried out in November 2020 (Item 9 on the agenda filed with these minutes).

The Audit Manager attended the meeting and assisted with consideration of this item.

The Committee were advised that the outcome of the assessment was positive and that the assessor had confirmed that the Council conformed to standards.

In response to a question the Committee were informed that when the Council had joined the shared service work had been undertaken to align processes and work had been carried out across all partners.

RESOLVED that the Committee noted the findings from the assessment report and associated action plan.

Reason

To ensure the Committee is kept informed of the findings from external assessments of Internal Audit, in line with the Public Sector Internal Audit Standards.

49. WORK PROGRAMME

A report of the Head of Strategic Support was submitted to enable the Committee to consider its work programme (Item 10 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:

In response to a question it was noted that the Work Programme showed the Accounts Meeting to be held in July, however this could be changed if the End-of-Year Audit Report was pushed back.

50. 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 livestream was switched off.

51. GOVERNANCE AND RISK ASPECT OF COMMERCIAL INVESTMENT AND PERFORMANCE REVIEW

An exempt report of the Strategic Director for Commercial Development, Assets and Leisure (Exempt item 12 on the agenda filed with these minutes).

A summary of the Committee's discussion on this matter is provided in the exempt minute (Audit Committee 51E. 2020/21)

RESOLVED

1. that decisions be made as detailed in the exempt minute (Audit Committee Minute 51E 2020/21);
2. that the exempt report of the Audit Committee be noted.

Reasons

1. As set out in the exempt minute (Audit Committee Minute 51E 2020/21).
2. To acknowledge the work undertaken by and the views of the Scrutiny Commission and the Housing Management Advisory Board

NOTES:

1. No reference may be made to these minutes at the next Ordinary Council meeting 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.