

**AUDIT COMMITTEE
16TH NOVEMBER 2021**

PRESENT: The Chair (Ms Jane Nellist)
The Vice Chair (Councillor Parsons)
Councillors Boldrin, S. Bradshaw, Hadji-Nikolaou
and Parton

Strategic Director; Environmental and Corporate
Services
Strategic Director; Commercial Development,
Assets and Leisure
Head of Strategic Support
Head of Financial Services
Audit Manager
Sustainability Officer
Democratic Services Officer (EB)

APOLOGIES: Councillor Snartt

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.

29. MINUTES FROM THE PREVIOUS MEETING

The minutes of the meeting of the Committee held on 28th September 2021 were confirmed as a correct record.

30. DISCLOSURES OF PECUNIARY AND PERSONAL INTEREST

No disclosures were made.

31. QUESTIONS UNDER OTHER COMMITTEE PROCEDURES 12.8

No questions had been submitted.

32. TREASURY MANAGEMENT UPDATE - MID-YEAR REVIEW FOR THE 6 MONTHS
APRIL-SEPTEMBER 2021

The Head of Financial Services submitted a report reviewing the Treasury Management Strategy and the Annual Investment Strategy, plus the various Prudential Borrowing and Treasury Indicators for the first six months of 2021/22. (Item 5 on the agenda filed with these minutes).

The Head of Financial Services attended the meeting to assist the Committee with the consideration of this item and informed them as follows:

- The general fund was underspent by £36million.
- There had been £28million worth of borrowing for the enterprise zone and regeneration.
- There had been £2.5million slippage on budgets in Period 4. However here was still a balance underspend of £5.5million. The variance would be detailed in a report to Cabinet on 9th December 2021.
- It was envisaged that the budgets for the enterprise zone and regeneration budgets elements of the Capital Plan would continue, and be rolled forward into future years.
- The average level of funds available for investment purpose during the first half year was £39million. The Council investments were currently outperforming the London Interbank Bid Rate benchmark with a return of 0.18%. This was lower than the previous financial year, but it was still making the best investments possible whilst operating with security.
- There were £5million of external property funds, and there was a net return of 92.5% after management fees.
- No borrowing was currently planned. The new Capital Plan would blend capital strategy.

The Committee were advised in response to questions that:

- There was a typographical error on page 22 of the reports pack. The figures in the table were meant to be in thousands rather than millions.
- With regard to the funding of Bedford Square, the Council had been due to receive £1.7million in Town Deal money, but this had not been received as yet. As such, the figures referred to Council money spent that would eventually be offset by the Town Deal money once it was received. There would also be some external funding schemes from the Business Rates Pilot and as such the actual overspend would be lower than the figures presented.
- Regarding the Shepshed Bullring project, there was a fixed amount available for it from the Town Deal, however, to complete delivery additional external funding would be needed.

The Chair noted that it was good that the Council were keeping within limits. She further noted that the figures from the Link Group had been recently updated for the latter period given the uncertainties around interest rates.

RESOLVED that the Committee notes this mid-year review of the Treasury Management Strategy Statement, Prudential Borrowing and Treasury Indicators plus the Annual Investment Strategy.

Reason

To ensure that the Council's governance and management procedures for Treasury Management reflect best practice and comply with the Revised CIPFA Treasury Management in the Public Services Code of Practice, Guidance Notes and Treasury Management Policy Statement, that funding of capital expenditure is taken within the totality of the Council's financial position, and that borrowing and investment is only

carried out with proper regard to the Prudential Code for Capital Finance in Local Authorities.

33. ENVIRONMENTAL AUDITS - REPORT ON OUTCOMES

A report of the Head of Planning and Regeneration was submitted updating the Committee on the outcome of environmental audits undertaken for October 2021. (Item 6 on the agenda filed with these minutes).

The Sustainability Officer attended the meeting to assist the Committee with the consideration of this item and provided an update as follows:

- The Council had an in-house Environmental Management System for Council owned property at Southfield Road officed, the Information & Computer Services building, Loughborough Town Hall, Charnwood Museum, Oak and Ark Business Centres and Woodgate Chambers.
- The environmental audits had taken place on 19th and 20th October to check the implementation of the Environmental Management System and legal compliance with it.
- Where non-conformities had been raised, recommendations for mitigation actions had been made.
- The implementation of mitigation actions was managed through the Legislation Update Service which enabled the service to manage actions and the timelines for actions.
- The audit identified any activity it considered to be posing an environmental risk or a breach in legal requirement as either a Non-Conformance with Requirement (NCR - a non-fulfilment of a legal requirement), an 'Issue' or a 'Recommendation'.
- The October 2021 audit found two new Non-Conformance with Requirement (NCRs) found with six found in March 2021. Including the two new NCRs identified there were currently three NCRs open, two at the Town Hall and one at Woodgate Chambers. Five of the NCRs identified through the March audit have now been closed.
- Housekeeping was found to be good throughout the premises with chemicals being stored in the correct locations such as cleaning cupboards. An NCR was raised for no waste transfer note being available for the collection of printer cartridges.
- Most of the paperwork and statutory inspections required renewal every 12 months. Therefore, auditing every six months was seen as unnecessary.
- It was intended for the full audit in March 2022 to be reported to the Audit Committee in June 2022 and then to continue on an annual basis.

The Chair raised the COP 26 conference that had been taking place and considered it likely that it would lead to legislation from the central government that would affect the Council.

The Sustainability Officer responded that the Legislation Update Service would feed any such developments through to the service as part of the audit process.

The Chair raised the issue that the wording of 'Internal Audit' was confusing as the Internal Audit was a separate audit and proposed it be changed to 'Environmental Audit'.

The Vice-Chair raised concern that if the audit was conducted every 12 months rather than every six months, issues may arise in that time that may need attention sooner.

The Sustainability Officer responded that the scale of risk was relatively low for processes conducted on-site. Whilst the Full Compliance Audit was annual, regular reviews were conducted with building managers. Due to the operations and activities undertaken, there was a low scale environmental risk.

RESOLVED

1. That the Committee notes the outcome of the environmental audit process, including the identified actions for any mitigation required.
2. That the Committee notes the proposed reduction in the frequency of internal environmental audits to every 12 months.

Reasons

1. To ensure the Committee is kept informed of the Council's approach to managing environmental risks related to the Environmental Management System.
2. Based on the relative environmental risks of the sites, it is considered auditing each site every six months is unnecessary. Most of the paperwork and statutory inspections require renewal every 12 months. This means that the same paperwork is reviewed at both the full and interim audits. Over time compliance has increased and processes improved.

34. INTERNAL AUDIT PROGRESS REPORT 2021/22 TO 29TH OCTOBER 2021

A report of the Head of Strategic Support was submitted summarising the progress against the 2021/22 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 to assist the Committee with the consideration of this item and provided an update as follows:

- This was not a full report as it only reported up until 29th October 2021
- Since the last report, two final audits had both given reasonable assurance.
- There was one overdue recommendation that had been made which had been given an extension until the end of December 2021.

The Chair noted that changes in the way the data was laid out was being considered.

The Vice-Chair noted that some projects had been allocated time retrospectively and asked the reasoning behind it.

The Audit Manager clarified that this was due to extra work on reports and the knock-on effect that this had.

The Committee were advised in response to a question that an update on the NNDR recommendation had now been received and the implementation date extended to December 2021.

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

Reason

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

35. RISK MANAGEMENT (RISK REGISTER) UPDATE

A report of the Strategic Director for Environment and Corporate Services was submitted providing the Committee with details of the Strategic Risk Register produced for the period to 2020/21, and also to provide information on the risk register that has been compiled to reflect the ongoing COVID-19 situation.

The Strategic Director for Environment and Corporate Services noted that the process was being updated and at the next standard meeting of the Audit Committee (15th February 2022) the report would have a new methodology.

The Chair noted that since the report had not significantly changed since the last update and therefore asked the Committee that in future it be reported by exception.

The Committee were advised in response to a question regarding risk brought by the proposed Environment Bill, that proposals for Councils to collect garden waste for free would have a financial impact since the Council currently charged for this service in line with approximately three quarters of all Councils in the country. Currently, of approximately 75,000 houses, approximately 35-40,000 had their garden waste collected by the Council paying a monthly charge which generated approximately £1.3million per year. Legislation requiring the Council to collect garden waste for free would result in this income being lost and increased costs of collection for the Council as more houses would need collecting from. Additionally, collection of food waste was also seen as expensive for the Council. These proposals in the Environment Bill would require more recycling schemes using more bins. The government had proposed to compensate councils for this; however, it was not known how long this compensation would be paid for as in the past similar compensation from the government had ended. Overall, this was seen as a big financial risk, however, the risk would not be known for certain until the bill came back to the House of Commons.

RESOLVED

1. That the report be noted.
2. That future Risk management (Risk Register) updates be reported by exception other than the report for the meeting of 15th February 2022 as this would have a different methodology.

Reason

1. 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, and also about the COVID-19 risk register.
2. To ensure that the Committee could focus on significant changes in the reports.

36. COUNCIL'S USE OF REGULATORY 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 9 on the agenda filed with these minutes).

The Head of Strategic Support noted that the Inspection Report was attached and that there would be an update on policy when it went to Cabinet in early 2022.

The Committee was advised in response to questions that:

- It was not thought reasonable for the Council to use RIPA powers to enforce Covid-19 restrictions as it was unclear if the Council had any legal powers to enforce Covid-19 restrictions when such measures existed as this had mostly been done by the police. Furthermore, in order to use RIPA powers the suspected offence needed to carry a custodial sentence of at least six months, and Covid-19 laws carried financial penalties.
- Due to the serious nature of the need to use RIPA, and the need for magistrate approval, it was unlikely for the Council to use it at any point. Therefore, the cost of training officers and Councillors in RIPA needed to be balanced against this. It was aimed to have officers trained just before a four-year inspection. It was aimed to provide refresher training and a recommendation had been made to re-train members. As such, a briefing note may be produced.

RESOLVED that the Committee note that there has been no use of RIPA powers by the Council for the period from 1 September 2021 to 31 October 2021.

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.

37. APPOINTMENT OF EXTERNAL AUDITORS

A report of the Strategic Director of Corporate Services was submitted the appointment process, options available on the appointment of external auditors and offering a proposal that the Audit Committee can consider recommending to Council for the final decision on the appointment of an External Auditor for 2023/24 and subsequent years. (Item 10 on the agenda filed with these minutes).

It was recommended that the Council join the national appointment process as the advantages included economies of scale and potentially buying power. Alternatively, if the Council went independent it would have to go through an exercise to determine whether an external auditor understood the requirements of the role, which would be time consuming, and there would not necessarily be economies of scale. The national system would go through the above process on behalf of the Council.

A third option would be to join with other Local Authorities to appoint an external auditor.

The Committee were advised by the Strategic Director of Corporate Services in response to a question that the only reason a Council would use an option other than the national appointment process would be if there had been a bad relationship with an auditor in the past. He further noted that the Council's previous external auditors, KPMG and Mazars, had been professional and helped the Council get to audit deadlines and signed off statements well in advance.

RESOLVED

1. That the Audit Committee recommend to Council that the Council opts into the appointing person arrangements made by Public Sector Audit Appointments Ltd (PSAA) for the appointment of external auditors.
2. That the Audit Committee recommend to Council that authority is delegated to the Strategic Director of Environmental & Corporate Services to submit the formal notice of acceptance and provision of information to PSAA as required.

Reasons

1. To enable the Council to participate in the PSAA appointing arrangements.
2. To allow the engagement process to be carried out efficiently.

38. ENGAGEMENT OF AUDITORS FOR NON AUDIT WORK

A report of the Head of Strategic Support was submitted providing the Committee with an opportunity to review the policy for Charnwood Borough Council in respect of the Engagement of Auditors for Non-Audit Work. (Item 11 on the agenda filed with these minutes).

The Head of Strategic Support noted that having reviewed the previous policy, rather than having a specific reference to the particular external auditor employed by the Council, the new policy would have a generic reference.

He also noted that whilst the previous policy had recommended an annual review, the new policy would recommend a periodic review as the Council had not yet engaged external auditors for non-audit work.

RESOLVED that the Committee approve the updated policy with an agreed financial limit of £30,000.

Reason

To ensure the Council has appropriate policies in place to cover the engagement of auditors for non-audit work.

39. WORK PROGRAMME

A report of the Head of Strategic Support was submitted to enable the Committee to consider its work programme. (Item 12 on the agenda filed with these minutes).

The following updates to the Work Programme were recommended:

- Update to reflect the Environmental Audit moving to a 12-month cycle as agreed earlier in the meeting.
- Update to reflect the Risk Registers being reported by exception as agreed earlier in the meeting.

The Strategic Director, Environmental and Corporate Services requested that members of the Committee submit questions on the Statement of accounts via email to himself and the Head of Finance prior to the Audit Accounts meeting on 7th December 2021. The Democratic Services Officer would circulate the draft Statement of Accounts to members of the Committee prior to the Audit Accounts meeting.

The Chair noted the short time between some meetings in the programme and requested that dates be examined to better sync the meetings with financial quarters.

The Strategic Director, Environmental and Corporate Services clarified that circumstances could dictate when meetings were held, particularly the availability of Committee members, but agreed to look at dates to ascertain whether meetings could be more appropriately timed.

RESOLVED

1. That the draft Statement of Accounts be circulated to members of the Committee so that they could submit questions on it prior to the Audit Accounts meeting on 7th December.

2. That Officers consider future meeting dates to ascertain whether they could better sync with financial quarters.

Reason

1. To allow members of the Committee to submit question in advance to allow officers time to prepare answers and to aid with the running of the Audit Accounts meeting.
2. To allow for more efficient reporting of data.

40. EXEMPT INFORMATION

It was resolved that members of the public be excluded from the meeting during the consideration of the following 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 recording was stopped.

41. INVESTMENT PERFORMANCE REPORT - Q2 (JUNE TO AUGUST) 2021/22

An exempt report of the Strategic Director for Commercial Development, Assets and Leisure. (Exempt item 14 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 41E. 2021/22).

NOTES:

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