

# Minutes

<b>Meeting name</b>	<b>Audit and Standards Committee</b>
<b>Date</b>	<b>Tuesday, 27 July 2021</b>
<b>Start time</b>	<b>6.30 pm</b>
<b>Venue</b>	<b>Parkside, Station Approach, Burton Street, Melton Mowbray, Leicestershire LE13 1GH</b>

## Present:

**Chair** Councillor R. Child (Chair)

**Councillors** R. Smith (Vice-Chair) P. Cumbers  
M. Glancy A. Hewson  
J. Illingworth P. Posnett MBE  
D. Pritchett

**Officers** Director for Corporate Services (Chief Finance Officer)  
Assistant Director for Governance & Democracy (Monitoring Officer)  
Head of Internal Audit  
Senior Democratic Services & Scrutiny Officer  
Democratic Services Officer (CR)

Minute No.	Minute
80	<p><b>Apologies for Absence</b></p> <p>Apologies for absence were received from Councillors Chandler. Councillor Bains was not present at the meeting.</p>
81	<p><b>Minutes</b></p> <p>The minutes of the meeting held on the 9 March 2021 were confirmed and authorised to be signed by the Chair.</p>
82	<p><b>Declarations of Interest</b></p> <p>There were no declarations of interest.</p>
83	<p><b>CIPFA Financial Management Code</b></p> <p>Dawn Garton, Director for Corporate Services introduced the report, the purpose of which was to inform Members of key requirements and the Council's compliance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Financial Management Code for 2021/22.</p> <p>Mrs. Garton advised that she had undertaken an initial assessment against the Code, which contained minimum standards for councils to meet statutory responsibilities (obligatory from 1 April 2020), while awaiting further guidance from CIPFA and before an Internal Audit review was undertaken. The review (before Members) was requested as a consultancy review to support the self-assessment and act as independent verification. Whilst the audit confirmed that the Council was compliant in all areas of the Code, there were areas where compliance could be improved (by moving from either satisfactory to good or from good to substantial). As a consultancy review, the audit was not designed to provide assurance over the adequacy of controls.</p> <p>Mrs. Garton highlighted the Action Plan (at Appendix A of the report), which detailed assurances for the standards in the Code. This would help improve compliance to add value. Following concerns over the impact of Covid-19 on governance, there was a requirement that the Annual Governance Statement (AGS) for 2020/21 include a conclusion on assessment of compliance with the principles of the Code. The draft AGS would be presented later at this meeting and included the outcome of the assessment before Members.</p> <p>During discussion the following points were noted:</p> <ul style="list-style-type: none"> <li>• The Council was on target to meet the delivery dates stated within the Action Plan.</li> <li>• The Council had complied with the requirements of the Code but would work on improvements where moving from either satisfactory to good or from good to substantial would add value (and required resources were available).</li> </ul>

- It was commented that with regard to budget monitoring, there was consistently a number of high budget variations. This needed to be managed effectively and it was suggested that rather than building in a contingency for this, other options could be considered.
- The final outturn and budget variations being made a standard agenda item at all Directorate Management Team meetings by 31 July (as noted on the Action Plan) was vital.
- The debt management reports were monitored by the Senior Leadership Team and with debt amounting to £1.3 million, regular review was essential.

#### Audit and Standards Committee

- 1) **NOTED** the outcome of the Internal Audit review of the Council's compliance with the CIPFA Financial Management code;
- 2) **APPROVED** the action plan

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#### Counter Fraud Update Report

Rachel Ashley-Caunt, Head of Internal Audit introduced the report, the purpose of which was to provide an update on counter fraud activity at the Council and a log of reports of attempted or alleged fraud against the Council during the financial year 2020/21.

Ms. Ashley-Caunt highlighted that a 6 monthly update on counter fraud activity and an end of year fraud log was provided to the Committee, detailing any frauds reported or investigated during the year (and their outcomes). Additionally, a self-assessment had been undertaken against the latest Fighting Fraud and Corruption Locally guidance and a copy of the assessment against the guidance criteria was detailed at Table 1 of Appendix A of the report. Action was required in relation to Contractors and third parties signing up to the Whistleblowing Policy and Table 2 detailed the progress made on this action (completed January 2021).

Ms. Ashley-Caunt highlighted the key actions undertaken by the Council during the year:

- Maintaining the Fraud Risk Register, as a 'living document', which informed the work of Internal Audit
- Promoting awareness of fraud risks and alerts for key risk areas to ensure staff know the correct action to take.
- Formal staff briefings
- Updated the Fraud Response Plan on some key areas of good practice.
- Supported the Council's award of business grants during the pandemic. This had been a high risk item on the Fraud Risk Register nationally and had been subject to its own fraud risk assessments. Internal Audit had provided alerts and shared intelligence on business grants fraud cases at other councils to help this Council identify attempts to defraud.

During discussion the following points were noted:

	<ul style="list-style-type: none"> <li>• The Fraud Awareness training referred to at paragraph 5.1(b) of the report was mandatory (from April 2021). Completion of the training would be monitored by the Human Resources Team and reported to the Senior Leadership Team.</li> <li>• Internal Audit had reviewed a number of applications for business grants to determine if there was a need to refer them to relevant government department. There had been 1 suspected fraudulent application to this Council and an update on this next week would determine whether further action (referral to government, initiate recovery procedures etc.) was necessary.</li> </ul> <p>Audit and Standards Committee <b>NOTED</b> the report.</p>
85	<p><b>Internal Audit Annual Report &amp; Opinion 2020/21</b></p> <p>Rachel Ashley-Caunt, Head of Internal Audit introduced the report, the purpose of which was to provide Members with the opportunity to consider a report from the Head of the Council's Internal Audit function on the performance of Internal Audit during the year and the 'Internal Audit Opinion' on the Council's system of internal control and its arrangements for risk management and governance.</p> <p>Ms. Ashley-Caunt highlighted that Appendix A of the report detailed Internal Audit's Annual Report. Internal Audit had issued an overall opinion of satisfactory assurance and a summary this opinion was detailed at section 2 of Appendix A. The opinion reflected that there were no areas of major organisational risk but there were some areas for improvement and recommendations to improve controls had been made.</p> <p>Ms. Ashley-Caunt advised that the opinion was informed by the work of Internal Audit and the outcome of audit assignments. Other sources of assurance were also considered (confirmation that the Council had valid public sector network compliance certification, which provided some assurance over IT security, consideration of the work undertaken on the Financial Management Code and self-assessment, the materiality of findings and action taken by Senior Management Team to strengthen areas of weakness etc.)</p> <p>Ms. Ashley-Caunt highlighted:</p> <ul style="list-style-type: none"> <li>• Table 1 of Appendix A provided a summary of the audit opinions issued for 2020/21 and this showed an improvement on previous years, with a reduced number of areas receiving limited assurance opinions and an increase in the number of substantial assurance opinions.</li> <li>• Much of the audit work delivered had been reported to the Committee during the year, as part of progress reporting. This work and the audit opinions issued (including audit assignments completed since the last Committee meeting (on 9 March 2021) were detailed at Table 3 and Appendix 1.</li> <li>• The financial system key controls report was not finalised when drafting this report. It had since been finalised and key findings would be reported to the Committee at its next meeting (on 28 September).</li> <li>• No major organisational risk had been identified during Internal Audit's work. Moderate organisational risk was identified for 3 areas and all had action plans in place and would be monitored and the Committee updated on</li> </ul>

	<p>progress made.</p> <ul style="list-style-type: none"> <li>• A review of the implementation of audit recommendations over the year was detailed at Table 4. 3 recommendations were overdue for implementation (1 was medium priority and 2 were low priority).</li> <li>• Table 5 provided a summary of all overdue recommendations, including those from previous years as well as from 2020/21.</li> <li>• Internal Audit's performance on delivery of the Audit Plan against Key Performance Indicators was detailed at section 4 of Appendix A.</li> </ul> <p>During discussion the following points were noted:</p> <ul style="list-style-type: none"> <li>• Members noted that performance reviews with the Cattle Market should be resumed and queried the position regarding the receipt of financial records or income information from the Cattle Market. The Director for Corporate Services advised that an update would be sought from officers and circulated to Members outside this meeting.</li> <li>• Members referred to the Summary of Internal Audit Work 2020/21 as detailed at Appendix 1 of Appendix A, noting the basis for assurance opinion for the Housing Repairs audit assignment, particularly in relation to the impact of Covid-19 and lack of management continuity. Internal Audit would monitor the implementation of recommendations and update the Committee on progress made.</li> <li>• The Director for Corporate Services and the Assistant Director for Governance and Democracy had worked with the Procurement Team to develop standard terms and conditions for contracts, improve the way decisions were made (decisions now recorded when contracts were awarded) and the Contracts Register was updated automatically in real time. The Contracts Register was available on the Council's website.</li> </ul> <p>Audit and Standards Committee received and <b>NOTED</b> the Internal Audit Annual Report and Assurance Opinion for 2020/21.</p>
86	<p><b>Draft Annual Governance Statement and Local Code of Corporate Governance</b></p> <p>Kieran Stockley, Monitoring Officer introduced the report, the purpose of which was to seek approval of the draft Annual Governance Statement (AGS) for 2020/21, which was a key component of the Council's governance arrangements. It was required to meet the statutory requirement for the Council to approve an AGS alongside its published Statement of Accounts (SoA) for 2020/21. The report also sought the Committee's approval of the revised Local Code of Corporate Governance.</p> <p>Ms. Stockley advised that the AGS provided a continual review of the effectiveness of the Council's internal control and risk management system to give an assurance of its effectiveness and/or produce a management action plan to address any identified weaknesses. It contained an update on the areas identified for 2020/21 and identified areas for 2021/22. Due to a temporary change in the regulations on reporting deadlines for the draft unaudited AGS, a draft version was before Members. This would be published alongside the draft Statement of Accounts and would be subject to a review by External Audit. A final version of the AGS would be submitted to a future meeting of this Committee for approval, giving Members the</p>

opportunity to provide comments before publication.

Ms. Stockley highlighted the Local Code of Corporate Governance at Appendix B of the report. This had been reviewed alongside the AGS to ensure its compliance with new CIPFA guidance on the impact of the pandemic on local government and the requirements of delivering good governance. The format of the Local Code of Corporate Governance provided a streamlined approach and the Council had attempted to remove any unnecessary duplication.

Audit and Standards Committee

- 1) **NOTED** the Council's draft Annual Governance Statement (AGS);
- 2) **APPROVED** the revised Local Code of Corporate Governance

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**Independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting ("The Redmond Review")**

Dawn Garton, Director for Corporate Services introduced the report, the purpose of which was to provide Members with a summary of the Redmond Review into the effectiveness of local audit and the transparency of local authority financial reporting, the recommendations made to the Government, along with the Government's response and the potential implications for the Council.

Mrs. Garton advised that links to the full independent review were provided within the report and an updated response from the Government was detailed at Appendix A of the report. Appendix A also set out review recommendations, the Government's initial response and progress to date. Whilst some recommendations had been agreed, others were still being considered and the Council awaited further guidance on these. Paragraph 5.6 of the report detailed potential implications for the Council as a result of the review.

Mrs. Garton confirmed that further consultation had been undertaken on the new burdens funding, due to the additional work created by the recommendations and also on the proposed changes to the audit fee variations.

During discussion the following points were noted:

- Members noted an additional £15m was allocated as part of the finance settlement for 2021/22, as detailed at paragraph 5.8 of the report.
- There were a number of proposals on how Government would distribute the additional funding and concerns that small district councils may not receive significant shares of the funds but a timeframe for receipt of monies had not been provided.
- Completion of the 2019/20 accounts remained outstanding with External Audit and it was anticipated that the draft 2020/21 accounts would complete Friday (30 July 2021).

Audit and Standards Committee That Committee note the update on the Redmond

	Review and potential implications for the Council.
88	<b>Urgent Business</b>

The meeting closed at: 7.15 pm