

# Minutes

|                     |   |
|---------------------|---|
| <b>Meeting name</b> | <b>Audit and Standards Committee</b>  |
| <b>Date</b>         | <b>Tuesday, 30 November 2021</b>  |
| <b>Start time</b>   | <b>6.30 pm</b>  |
| <b>Venue</b>        | <b>Parkside, Station Approach, Burton Street,<br/>Melton Mowbray, Leicestershire LE13 1GH</b> |

## Present:

### **Councillors**

R. Smith (Vice-Chair, in the Chair) P. Chandler  
M. Glancy A. Hewson  
J. Illingworth P. Posnett MBE  
D. Pritchett E. Holmes (Substitute)

### **Officers**

Assistant Director for Governance & Democracy  
Head of Internal Audit  
Democratic Services Manager  
Senior Democratic Services & Scrutiny Officer  
Democratic Services Officer (CR)

| Minute No. | Minute  |
|------------|---|
| 96         | <p><b>Apologies for Absence</b><br/>There were no apologies for absence. Councillor Bains was not present at the meeting.</p>   |
| 97         | <p><b>Minutes</b><br/>The minutes of the meeting held on 28 September 2021 were confirmed.</p>  |
| 98         | <p><b>Declarations of Interest</b><br/>There were no declarations of interest.</p>  |
| 99         | <p><b>Internal Audit Progress Report</b><br/>Rachel Ashley-Caunt, Head of Internal Audit introduced the report, the purpose of which was to update Members on the progress made in delivering the 2021/22 Internal Audit Plan and key findings arising from audit assignments completed.</p> <p>Ms Ashley-Caunt advised that the Internal Audit Plan (detailed within Appendix A) summarised all key assignments to be delivered in year. Section 2.5 of the appendix summarised a further audit report finalised since the last Committee meeting (on 28 September 2021), in relation to land charges. Internal Audit had identified areas for improvement, in relation to improving review and independent checks, introducing management review processes for accuracy and consistency of application details included on the register and had reflected on the backlog of manual records, which needed to be uploaded on the electronic register. It was recommended that an Action Plan be put into place, to give assurance over completion. Internal Audit had also identified areas for improvement for supporting documentation, making a recommendation on strengthening the process to ensure consistency and quality of records. Overall Internal Audit had issued a satisfactory assurance opinion, reflecting no significant areas of weakness.</p> <p>Ms. Ashley-Caunt highlighted that Appendix 3 detailed an update on the implementation of audit recommendations since the last Committee meeting. 3 recommendations had been completed and there were 25 actions which were currently overdue. Those which were over 6 months overdue and of high priority were summarised within the table at Appendix 4, with an update on current status for implementation. Internal Audit would continue to monitor these and provide a further update at the next Committee meeting.</p> <p>Ms. Ashley-Caunt confirmed that work against the Audit Plan continued and it was anticipated that at least 90% of the Plan would be completed by the end of the year as planned. The last quarter would see delivery of a number of audit assignments which had to be undertaken towards the end of the year to appropriately incorporate the financial period.</p> <p>During discussion the following points were noted:</p> |

- Members thanked Ms. Ashley-Caunt for her report, noting the good progress made against the Audit Plan, particularly in relation to Housing and commenting that revised dates for implementation were reasonable.
- Members were pleased to note the work on Land Charges. It was confirmed that costs were reviewed on a regular basis and fees were adjusted accordingly. Ms. Ashley-Caunt would confirm following the meeting whether the Council could recover all costs associated with delivery of the Service.

**RESOLVED** that the Committee noted the report and progress made by the Internal Audit team in the delivery of the Audit Plan.

100

**Internal Audit Plan 2022/23**

Rachel Ashley-Caunt, Head of Internal Audit introduced the report, the purpose of which was to provide Members with an overview of the proposed Audit Planning process for 2022/23 and to consult Members on risk areas for consideration in the development of the Audit Plan.

Ms. Ashley-Caunt advised that Internal Audit aimed to develop a risk based Audit Plan by consulting with Senior Management Team and this Committee, by reviewing changes to legislation, new statutory responsibilities, risk registers and current assurances to see where Internal Audit coverage would add the most value.

Ms. Ashley-Caunt invited Members to advise her of any areas which they would value assurance from Internal Audit. The draft Plan would be submitted to this Committee on 22 March 2022 for formal approval.

During discussion the following points were noted:

- Members thanked Ms. Ashley-Caunt for her work.
- It was important for the Committee to be fully informed of all significant risks and Ms. Ashley-Caunt would seek feedback from key Members (Leader and Committee Chairs) as part of the Audit Plan consultation process to aid the Committee in fulfilling its role to approve the Plan.

**RESOLVED** that the Committee:

- 1) Approved the proposed approach in developing the Audit Plan for 2022/23;
- 2) Highlighted any risk areas where the Committee required assurance during the year ahead.

101

**External Audit Plan 2020/21**

Hayley Clark, External Auditor (Ernst Young) introduced the report, the purpose of which was to present the 2020/21 Audit Plan which included an analysis of key risks, the audit strategy, reporting and timescale.

Ms. Clark advised that in assessing risk areas for the 2020/21 audit, the following areas had been considered by External Audit:

- Misstatements Due to Fraud or Error - focusing on the use of journals and estimates throughout the audit and considering the risk of fraud in revenue

and expenditure recognition:

- i. In relation to revenue recognition, 2 risks had been identified for the accounting for additional Covid-19 funding and potential impact/understatement of other income/commercial based income.
  - ii. In relation to the expenditure recognition risk, External Audit had reviewed the overstatement of expenditure and if there was any spend that had been brought forward that should have been accounted for in 2021/22.
- Valuation of Property, Plant and Equipment and Investment Properties – this had been highlighted as a significant risk, due to a change in valuers, which carried an additional degree of risk for External Audit focus.
  - Pension Valuation – Local Government Pension Scheme – this was classed as a higher inherent risk for External Audit focus due to the assumptions and sensitivity involved in accounting the balance.

Ms. Clark highlighted External Audit's materiality levels. The level of materiality used when assessing the risk of error in the financial statements (planning materiality) was £574k. The level of materiality used to perform detailed testing (performance materiality) was £431k. The audit differences threshold for any misstatements during the audit, which remained uncorrected was £29k and these would be included as part of External Audit reporting.

Ms. Clark drew Members attention to the value for money conclusion, advising that there had been a change to the NAO's 2020 Code of Audit Practice. External Audit remained focused on 3 key areas (financial sustainability, governance and improving economy efficiency and effectiveness). However, a slightly different risk assessment was required in planning for work to be undertaken. Any significant risks identified would result in more detailed work. Additional commentary would be issued with External Audit's assurance opinion, setting out the arrangements in place across the 3 key areas.

During discussion the following points were noted:

- Members noted that the External Audit Plan was submitted later this year due to a number of changes in External Audit resources. Although the audit was in progress, Member feedback would be considered and the audit approach adjusted accordingly.
- Members noted that External Audit made additional fraud related enquiries (with the Committee Chair, Monitoring Officer Senior Leadership Team and Internal Audit), as part of the audit.
- External Audit's proposed audit fee was similar to fees proposed for its other clients and these fees were subject to significant scrutiny. They reflected the risk assessment process, the nature of balances and considerable resourcing pressure across the audit profession, including the ability to attract and retain auditors to enable delivery of audits. The fee model applied would be impacted by an increase or decrease as necessary.

**RESOLVED** that the Committee:

- 1) Approved the External Audit Plan for 2020/21;
- 2) Confirmed its understanding of and agreement to the materiality and

reporting levels set out in the plan;

- 3) Noted the delay to the timing of the audit of accounts and subsequent publication of the audited accounts.

102

**Provision of External Audit Services**

David Scott, Corporate Services Manager introduced the report, the purpose of which was to set out proposals for appointing the external auditor to the Council for the accounts for the 5 year period from 2023/24.

Mr. Scott advised that the Council was seeking the Committee's authority to continue with the 'opt in' approach to the sector-led appointment of external auditors process through the Public Sector Audit Authority (PSAA). Over 90% of council's opted into this process, as there was a cost saving and time benefit. The market and associated resources were limited and if the Council undertook the process itself, it would be bidding the same companies for the same work. In addition, should there be disagreement with auditors on fee setting, the PSAA would help arbitrate the process.

During discussion the following points were noted:

- If approved, the PSAA would undertake the process to appoint the External Auditor for the Council and would notify the Council each year (within the 5 years) of who had been appointed. The PSSA may appoint Ernst and Young again or they may appoint a different Auditor.
- If approved, the PSAA would begin a procurement to the audit market, which it would negotiate and agree a set of fees. Lower cost fees should result from the collective procurement process, although it was likely that the fees would be higher due to the current market.
- The Council's fees would be proportional and reflective of it being a smaller local authority, although any fee increase may be larger than desired.
- Members noted that in 2019, PSAA returned £3.5million to relevant bodies and in 2021, it returned a further £5.6million. The Corporate Services Manager would confirm the amount refunded to this Council outside of the meeting.

**RESOLVED** that the Committee recommended to Council:

- 1) Authority to accept the Public Sector Audit Appointments' invitation to opt into the sector-led option for the appointment of external auditors to principal local government and police bodies for 5 financial years from 1 April 2023;
- 2) That the Director for Corporate Services be delegated authority to give effect to the appointment.

103

**Regulation of Investigatory Powers Act 2000 [RIPA] Update 2020-21**

Natasha Taylor, Democratic Services Manager (Deputy Monitoring Officer) introduced the report, the purpose of which was to update Members in relation to the Council's use of powers under the Regulation of Investigatory Powers Act 2000 (RIPA) from April 2020 to March 2021.

Mrs. Taylor advised that RIPA sets out a regulatory framework for the use of covert investigator techniques. The techniques were restricted and used only when considered necessary, proportionate and as a last resort to prevent crime and disorder. Since November 2012, RIPA authorisation for covert surveillance required magistrate court approval. The use of the Council's RIPA powers had declined significantly over the years but RIPA powers could be used for fly tipping and some licencing offences, providing they met the serious crime threshold. The Council had not needed to use RIPA during 2021.

Ms. Taylor confirmed that authorising and investigating officers undertook annual training to ensure they remained up to date and knowledgeable in respect of RIPA powers (training would be held next week) and the Council was periodically inspected by the Investigatory Powers Commissioner's Office. The last inspection was undertaken in April 2020 and the positive outcome was previously reported to this Committee. It was essential that the Council continued to maintain its processes and procedures and the annual presentation of this report provided the Committee with assurance and oversight of compliance in this area.

During discussion the following points were noted:

- Members thanked Ms. Taylor for the report, commenting that it was a good, reassuring report.

**RESOLVED** that the Committee noted the update for the period April 2020 to March 2021.

104

**Revised Members' Code of Conduct**

Kieran Stockley, Assistant Director for Governance and Democracy introduced the report, the purpose of which was to present Members with a revised Members' Code of Conduct for consideration prior to it being submitted to full Council on 16 December 2021 for approval.

Ms Stockley highlighted that the Localism Act placed the Council under a duty to maintain high standards of conduct. The Council was required to adopt a Code, dealing with conduct expected of Members and co-opted Members. The current Members Code of Conduct was adopted in 2012 and was last reviewed in 2017. In 2019, the Committee on Standards in Public Life published a report and one of the main recommendations was for the Local Government Association (LGA) to create an updated non-mandatory model Code of Conduct, which local authorities could consider adopting or adapting. The LGA aimed to develop the Code as a benchmark standard for all public office. It was issued in January 2021 and updated in May 2021.

Ms. Stockley advised that throughout the year, she had met with Leicestershire Monitoring Officers to review the LGA's model Code of Conduct and to determine whether any revisions were necessary, to reflect local issues (amendments to the model Code were detailed at paragraph 5.5 of your report). Monitoring Officers sought to create a common Code across Leicestershire, including parish councils,

working closely with the Leicestershire and Rutland Association for Local Councils (LRALC) and recognising Leicestershire's 2 tier authority status (some Members being both district and county councillors).

Ms. Stockley highlighted that most councils had submitted Codes for approval in the coming month and early next year. The Council's locally amended Code had been approved by its Constitutional Review Working Group in October 2021 for submission to this meeting.

During discussion the following points were noted:

- Should the Code be approved, the Council would deliver a programme of training to include parish councils who adopt the Code.
- There was guidance within the Localism Act on provision for granting dispensations and this would be included in the training programme.

**RESOLVED** that the Committee:

- 1) Endorsed the locally amended Code of Conduct;
- 2) Recommended to Council that the locally amended Code of Conduct be approved and implemented from 1 April 2022.

105

**Provision of Internal Audit Services**

David Scott, Corporate Services Manager introduced the report, the purpose of which was to propose a new Service Level Agreement be entered into to continue the delegation with the same Internal Audit Team.

Mr. Scott advised that the current delegated service was scheduled to end on 1 March 2022 and the proposal to continue the delegation with the same Internal Audit Team would reflect the change in responsible authority (being North Northamptonshire Council) from 1 April 2022. The current service was high performing, represented good value for money and provided the resilience needed across different specialisms.

Mr Scott confirmed that other partner councils were also proposing to continue the delegation. He highlighted that the extensive research undertaken in 2017 remained valid and justifications for continuing the delegation were detailed at paragraph 5.4 of the report.

During discussion the following points were noted:

- Members noted that the current service provided value for money and were supportive of the recommendations, with the addition of the Service Level Agreement (SLA) as finalised by the Director for Corporate Services in consultation with the Assistant Director for Governance and Democracy being submitted to this Committee for approval.

**RESOLVED** that the Committee recommended that Council:

|     |  |
|-----|--|
|     | <ol style="list-style-type: none"> <li>1) Delegates its internal audit service to North Northamptonshire Council from 1 April 2022;</li> <li>2) Delegates authority to the Director for Corporate Services in consultation with the Assistant Director for Governance and Democracy to finalise the delegation agreement with North Northamptonshire Council for the provision of internal audit services;</li> <li>3) Delegates authority to the Director for Corporate Services to: <ol style="list-style-type: none"> <li>i. review the agreement every 5 years to ensure best value.</li> <li>ii. make any in-year changes to the delegation agreement as required to reflect any legislative and/or organisational changes;</li> </ol> </li> <li>4) Notes that the Service Level Agreement (SLA) be provided to the Audit and Standards Committee for approval before being finalised.</li> </ol> |
| 106 | <p><b>Urgent Business</b><br/>There was no urgent business.</p>  |

The meeting closed at: 7.38 pm

Chair