

AUDIT & GOVERNANCE COMMITTEE

25 February 2021 at 6.00 pm

Present: Councillors Mrs Haywood (Vice-Chair, in the Chair), Bennett, Bicknell, Bower, Brooks, Clayden, Roberts, Ms Thurston and Tilbrook

Councillor Coster was also in attendance for all or part of the meeting.

Apologies: Councillors Mrs Erskine

493. DECLARATIONS OF INTEREST

There were no declarations interest made.

494. MINUTES

The minutes of the meeting held on 19 November 2020 were approved as a correct record and it was agreed that these would be signed as soon as practicably possible.

495. ERNST AND YOUNG - ANNUAL AUDIT LETTER

The Associate Partner Kevin Suter, from Ernst & Young LLP presented the annual audit letter to the Committee. He clarified the reason behind why an annual audit letter was required for the Council as well as drawing members attention to key aspects of the audit, in particular the impact that the Covid-19 pandemic had, had. He confirmed that following the Committees meeting held on 19 November 2020 the accounts had been signed off on 20 November 2020 and confirmed that page 16 of the audit letter confirmed that the audit for 2019/20 had been finalised. He then drew members attention to page 34, where it outlined the proposed final fee for 2019/20, he explained that the fee had been impacted by a range of factors which had resulted in additional work that had to be done and was completed as reported in the Audit Results report.

Members then took part in a full debate where the following points were raised:

- Was the Group Head of Corporate Support and the Finance team happy with the increase in the fees detailed? It was confirmed by the Group Head of Corporate Support that the Council did not agree with the increase in fee.
- Clarification was sought as to why the fee was being presented to Members if the Council was unhappy with it. The Associate Partner from Ernst & Young LLP explained that part of the finalisation process was for the Annual Audit Letter to be presented to members and the public by way of the agenda.
- Members also sought clarification regarding at what point would an agreement on the fee need to be reached. The Group Head of Corporate Support explained

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that the Public Sector Audit Appointments (PSAA) would be the deciding body on the fee amount.

Members had further discussion on the Audit Fees that had been presented to them, it was clear that they were significantly concerned at the level of increase. It was then proposed and duly seconded that the Committee requested a letter of representation to be sent by the Chairman to the PSAA stating that they were extremely unhappy with the uplift in the Audit Fee.

The Committee then noted the Annual Audit Letter

The Vice-Chairman in the Chair thanked the Associate Partner from Ernst & Young for his attendance at the meeting.

496. ACCOUNTING POLICIES FOR 2020/21 ACCOUNTS

The Capital Accountant presented her report to the Committee outlining the purpose of her report and explained that at the time of writing the report the key deadlines had not yet been confirmed, currently they were working to a deadline of 30 September 2021 which would mean there would be a requirement for a special meeting of the Committee to approve the accounts. She advised that it had been a quite year within the Chartered Institute of Public Finance and Accountancy (CIPFA) practice and therefore only one addition that could be found on page 48 of her report, the addition to the Accounting Policies was as a result of the Council from 1 April 2020 charging Community Infrastructure Levy (CIL) on new build development.

The Committee

RESOLVED

- 1) that the accounting policies that will be applied to the statement of accounts 2020/21 be approved.

497. CAPITAL STRATEGY

The Financial Services Manager provided members with an overview of her report, where she highlighted that the capital strategy formed the framework for the budget decisions over the next 3 years. She referred members to the diagram on page 60 of her report that summarised the Council's other key strategies. She explained that the Capital Strategy was an over-arching document and its aim was to balance capital expenditure needs against the resource of the Council

Members then took part in a full debate where the following points were raised:

- Clarification was sought regarding the difference between Capital Expenditure and Revenue. The Financial Services Manager explained that Capital Expenditure was defined by statute in Local Government and was to cover the lifetime of the asset.

- A high-level overview on the 'right-to-buy' was requested and clarification to be given in reference to the percentages documented.
- A question was asked in regarding the expenditure on the Council's existing Housing Stock. It was advised that a written answer would be provided.

The Chairman thanked the Financial Services Manager and her team for the work completed.

The Committee

RECOMMEND TO FULL COUNCIL that:

- 1) the Capital Strategy 2021/22 to 2023/24 be approved.

498. TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY

In presenting her report the Senior Accountant (Treasury) advised that there had been no fundamental changes from the 2020/21 strategy, and then drew members attention to the following areas of her report;

- Part of Treasury Management was to ensure cash flow was adequately planned and with the pandemic this had been challenging at times.
- Large amounts of funding had been received due to the pandemic and many grants had been paid to support those who needed it.
- Training for members by Link, the Council's Treasury Advisors was hoped to take place in July 2021 (probably virtually).
- Page 78 of the report showed the Council's current investments as at 31 December 2020, where it was reported an increase of approximately £15 million from 31 March 2020.
- Page 81 point 3.3 explained the Link interest rate forecast, which was expected to stay at 0.10% with no increase, therefore the rate on investment would remain low until at least March 2024.
- Page 88 point 4.3 in the last paragraph it detailed the limits for non-UK banks, the Council was now using Qatar, DBS & Svenska Handelsbanken more regularly
- Page 89 point 4.4 detailed that the market value had exceeded investment (£2m) in the Diversified fund and both this fund and the Property fund had enhanced the returns as the best achieved in cash currently is between .01 and 0.50%.

It was then asked if there were any implications of the estimated gross debt exceeding the Capital Financing Requirement (CFR) in 2020/23 and 2023/24. It was advised that a written answer would be provided for this question. It was also noted by the Committee that some investments were doing better than expected at this current time.

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The Committee

RECOMMEND TO FULL COUNCIL that:

- 1) the Treasury Management Strategy for 2021/22 be approved;
- 2) the Annual Investment Strategy for 2021/22; and
- 3) the Prudential Indicators for 2021/22, 2022/23 and 2023/24 as contained in appendix 1 and the body of the report be approved.

499. ANNUAL INTERNAL AUDIT PLAN

The Internal Audit Manager presented the Annual Internal Audit Plan to members where he explained that this was an initial outline plan and a further update would be provided at the next meeting of the Committee.

The Committee then agreed and noted the outline Annual Internal Audit Plan.

500. PROGRESS AGAINST THE AUDIT PLAN

The Internal Audit Manager advised members that since mid-March 2020 the work of the team had been impacted by the changes implemented by the Council in its response to the global pandemic and that this work would be continuing for some time moving forward.

A question was asked in relation to Fraud management within the Social Housing and were there any indications as to what the levels were currently. The Internal Audit Manager advised that this was not within his area but that the Housing Fraud Investigator for the Council had moved post recently and that the question maybe better asked of the Housing & Customer Services Working Group.

The Committee noted the report provided.

501. INFORMATION / ADVISORY DOCUMENTS RECEIVED

None.

502. WORK PLAN REVIEW 2021/22

The Internal Audit Manager provided members with an update on the Committees rolling work plan for the year 2021/22. He explained that there would be possible further date changes in terms of audit deadlines for the Accounts and that he would circulate an updated work plan to the Committee once these dates had been confirmed.

It was then asked if this Committee was the right forum to raise that the Council had been without a Housing Fraud Officer for over a year. The Internal Audit Manager advised that there was an ongoing restructure being completed within residential services, he understood that if queries or concerns were raised that they would be investigated and that

he felt that the Housing & Customer Services Working Group would be the better forum to raise this.

Thanks' was then expressed to the Financial Services Team for their work over the last year.

Members then returned to the topic of the Housing Fraud Officer and their concerns at the risk this was to the Council. The Internal Audit Manager advised that his understanding was that the role had not been removed, however the recruitment of this role had been delayed due to the Pandemic.

A proposal was then made and duly seconded that the Director of Services should provide a report on the situation, to update to the Committee at its next meeting. Further debate then took place where general support for this proposal was gained. It was felt by members that all possible action was taken as soon as possible to remedy this vacancy. A suggestion was made that the Housing and Customer Services Working Group were meeting in March and that the Group Head of Residential Services could provide an update at that meeting. This suggestion was not endorsed and the proposal on the table was not withdrawn.

The proposal was then strengthened by the Proposer and Seconder and what was put to the vote was that the Director of Services provide the Committee with a report that will provide an update on the recruitment of a Housing Fraud Officer and to provide quantitative detail so that the Committee can review and assess the fraud checks that have been completed over the last 4 years and also attend the next meeting of the Committee to answer any questions the Committee might have on the report.

The Committee

RESOLVED that:

- 1) the Director of Services provide a report that will provide an update on the recruitment of a Housing Fraud Officer and to provide quantitative detail so that the Committee can review and assess the fraud checks that have been completed over the last 4 years and also attend the next meeting of the Committee.

(The meeting concluded at 7.13 pm)