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Subject to approval at the next Audit & Governance Committee meeting

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## AUDIT & GOVERNANCE COMMITTEE

30 July 2020 at 6.00 pm

Present: Councillors Mrs Erskine (Chairman), Mrs Haywood (Vice-Chair), Bennett, Bicknell, Clayden, Dendle, Roberts, Ms Thurston and Tilbrook

Councillors Coster, Dixon, English and Gunner were also in attendance for all or part of the meeting.

[Note: Councillor Bicknell was absent from the meeting during consideration of the matters referred to in Minute 149 to 152 [part].

### 149. DECLARATIONS OF INTEREST

No declarations of interest were made.

### 150. MINUTES

The minutes of the meeting held on 13 February 2020 were approved by the Committee.

### 151. MEETING START TIMES

The Committee

RESOLVED

That the start times of meetings for the remainder of 2020/21 be 6.00 p.m.

### 152. MEMBERS ALLOWANCES - PROGRESSING THE NEXT REVIEW AND EXTENSION OF APPOINTMENT FOR THE INDEPENDENT PANEL

The Group Head of Corporate Support introduced this report, he explained that the report was split into two sections. The first part informed Members of the approach being taken by the Panel in undertaking a review of Special Responsibility Allowances (SRA's) under the Members' Allowances Scheme in light of the changes to be made to the Council's governance arrangements from May 2021 as agreed at Full Council on 15 January 2020 in respect of the SRAs to be paid to Chairman and Vice-Chairman of the new six Service Committees. The review will be limited to agreeing upon the level to be paid for these allowances only. All other elements of the Members' Allowances Scheme will remain as approved by Full Council on 19 July, unless the Committee makes any specific recommendation to review any other aspect of the scheme.

He then introduced John Thompson, the Chairman of the Independent Remuneration Panel to respond to any questions regarding this aspect of the report.

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The second part of the report asks the Committee to approve extending the terms of office for all five members of the Panel until 31 March 2023, as their terms of office have expired.

The Committee then had the opportunity to raise and queries they had the following queries were raised;

- Was there a maximum number of years a member could sit on the Panel; this was answered by the Committee Services Manager who confirmed that the 2003 legislation did not make any stipulation to a maximum number of years served.
- What was the detail on any Councillor consultation that would take place, the Chairman of the Independent Remuneration Panel explained that Councillors would be asked for their views to be submitted but the timeframe and details had yet to be agreed. However, it would all fit in line with a report being delivered to this Committee again in November 2020.

The Committee

RESOLVED that:

- 1) they noted the approach to be taken by the Independent Remuneration Panel for its next review; and
- 2) they agreed to extend the terms of office for all five members of the Panel until 31 March 2023.

153. RESPONSE TO ERNST & YOUNG ON ANNUAL ASSURANCE LETTER REGARDING GOVERNANCE ARRANGEMENTS

The Committee noted the response to Ernst & Young on the annual assurance letter regarding governance arrangements.

154. AUDIT PROGRESS AND AUDIT PLAN - UPDATE REPORTS FOR THE YEAR ENDED 31 MARCH 2020

The Manager from Ernst & Young LLP (E&Y) referred the Committee to planning report update on page 35 of the agenda and explained that the Audit Planning report issued in February 2020 had to be updated for the additional work and procedures that had to be carried out due to changing risk around areas such as Covid-19.

The Financial Services Manager advised the Committee that under normal circumstances the draft Accounts are published by the end of May and have to be audited by the end of July, which the Council had always achieved in the past and this was its original plan for this year. However, the Covid-19 pandemic broke out which added significant risk to that time scale being achieved which was reflected by the statutory deadline being moved to 30 November 2020.

It was also highlighted to Members that the narrative report gave the Accounts more context and that the Outturn Report for 2019/20 had been considered by Cabinet at the meeting on 20 July 2020, which had the advantage of being in the same format as the budget. This was because the Financial Statements follow the accounting standards rather than local government legislation.

The Manager from Ernst & Young LLP (E&Y) in summing up his report update advised Members, that this had been an audit with its obvious challenges, however he reassured Members that additional procedures had been carried out and they were making good progress with outstanding items. He confirmed 3 key areas that needed to be reviewed, Pension Liability, which was subject to the competition of the WSCC pension fund audit, Property Valuations and additional work in relation to the Going Concern Assumption in relation to Covid-19 which had mainly been completed. In summing up he confirmed that there were two uncorrected misstatements that had been reported in the audit Progress Report.

The Chairman thanked Officers and the Manager from Ernst & Young LLP for all the work that had been done in these unprecedented times and confirmed that there would now be Special meeting of the committee to approve the Accounts to be held on 10 September 2020.

The Committee noted the report update.

#### 155. ANNUAL GOVERNANCE STATEMENT

The Internal Audit Manager presented his report to the Committee and drew Members attention to the annual governance statement advising that this was a backward looking document covering the period of the Accounts to 31 March 2020, therefore there was limited impact in this period in respect of the Covid 19 pandemic, this would be reported in next year's report. He explained that in view of the fact that the accounts are not present at this meeting, this item would need to be brought back at the Special Meeting of the Committee on 10 September 2020 for final approval and that at this current time the Committee would only be able to note the report.

There were several questions raised by Members in respect of the following topic;

- IT resilience, specifically the replacement & purchase of IT equipment that was required to enable all Council staff to work from home. It was explained that the CEO had briefed Members on this in his updates regarding the Council's response to the Covid-19 pandemic. It was also confirmed that the Council's IT equipment was reviewed every 5/6 years, this was due to the IT equipment being used for business use, which is used lot more than people would normally use their home computers/laptops for as well as handling and supporting multiple types of software. The pandemic has provided the Council with the opportunity to ensure that all equipment is as up to date as it can be for 2020. The Internal Audit Manager confirmed he would refer Members comments to

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the Head of Technology and Digital to obtain his comments on the rationale behind the replacement of equipment every 5 years and a written response would be provided to Committee Members.

The Committee noted the draft Annual Governance Statement for 2019/20 and agreed that it would be brought back to the Committee on 10 September 2020.

#### 156. TREASURY MANAGEMENT ANNUAL REPORT

The Senior Accountant presented her report to the Committee drawing Members attention to Page 86 – last paragraph the bank of England base rate has been reduced to 0.1% in March, this now meant that the Councils bank account no longer earns any interest which it was at 0.65% prior to Covid 19 pandemic. On Pages 88 and 89 of the report the CLA property fund achieved a return of 4.30% in 2019/20. The overall returns on all investments in 19/20 was 1.31% vs a budget 1.24% which equates in pounds to £850,000 vs £596,000. On pages 89 & 92 specifically relating to the PWLB debt we repaid £8.86 million 28 March 2020 leaving 44.32 million to repay as at 31 March 2020. In summing up she referred Members to the CCLA fund advising that this fund had been suspended due to the Covid 19 pandemic.

The following questions were raised by Members of the Committee;

- Would the Council be expecting to take a hit on the CCLA property fund, it was explained that it was too early to say, but it was expected to recover.
- What was the Officers view on the Money Market fund with 4 million in it, it was explained that the risks were much lower with this fund and no problems were currently being forecast with this investment.

The Committee

RECOMMEND TO FULL COUNCIL - That:

- i. the actual prudential and treasury indicators for 2019/20 contained in the report be approved;
- ii. the annual treasury management report for 2019/20 be noted; and
- iii. the treasury activity during 2019/20 which has generated interest receipts of £850,000 (1.31%). Budget £596,000 (1.24%) be noted.

#### 157. CHAIRMAN'S ANNUAL REPORT TO COUNCIL

The Internal Audit Manager presented this report to the Committee advising Members that CIPFA recommends that the Audit Committee provides an annual report to the Council.

The Committee

RECOMMENDS TO FULL COUNCIL - That:

1. The content of the Chairman's annual report be endorsed and be presented at the next Full Council meeting in September 2020 by the Chairman.

158. UPDATED STRATEGIC RISK REGISTER 2020-2021

The Internal Audit Manager presented his report to the Committee on behalf of the Governance and Risk Group, chaired by the Director of Place, reminding Members that the last time the report was presented to the Committee was on 13 February 2020 following the change in the Council's strategic priorities. It was felt that due to the Covid 19 pandemic the risk register should be reviewed again and had now been updated with an additional new risk and updated comments throughout for consideration by Members.

There were a number of questions asked by Members these are detailed below;

- Would there be any additional financial support from the Government. It was explained by the Group Head of Corporate Support that there had been a reasonable amount of Government support and there should be opportunities to recover some other losses, financial returns were being completed every month to highlight losses which were mainly being seen around cash flow, the Council had been hit hard in this area due to a drop in income from Council Tax and Business rates.
- Staff returning to working in the offices, it was felt that the report as written showed slow speed in returning to the offices, although this was being encouraged by the Government. It was advised that currently the guidance was telling us to continue to work from home wherever possible. There had been a number of staff that had returned to working in the offices and this would be being reviewed each week ensuring that as an employer the Council continued to comply with the Covid 19 regulations.
- In terms of Cyber Security, did staff working from home increase the Cyber Security risks. It was explained that while it does bring new and extra challenges, IT continued to work to ensure that there was not a huge additional risk to the Council. The Pandemic had also brought new opportunities for cyber-attacks and there had been an increasingly large number of attacks that were taking place daily, however these were being managed well with the current protections in place, additionally there was now a full time member of staff on site managing the Council's response to Cyber-attacks.
- Members were also updated that recent work undertaken by IT and a consultant obtained as a result of the LGA's cyber-security stocktake exercise had now raised the Council's rating from Red-Amber to Amber-Green, as per the latest LGA assessment.

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- Council Tax and Business Rates had action been taken to start collecting this yet. It was explained that recovery action was started again in July 2020, however with a potential of a large number of residents being subject to remaining on furlough, this was an area that needed to be carefully monitored.
- The largest amount of Council Tax monies that Arun District Council collects, goes to West Sussex County Council (WSSC), is there a mechanism for the Council to invoke to stop this. It was explained that these monies sat in a different account called the Collection Fund, we have been in regular communication with WSSC who were obviously very keen to understand each of the 7 districts projections for the next 12 months as understandably this could lead to WSSC having a deficit to manage.

The Committee

RESOLVED that;

- 1) the Strategic Risk Register be approved.

159. ANNUAL COUNTER-FRAUD REPORT

The Internal Audit Manager presented his report to the Committee advising Members that it was CIPFA best practice to present an annual report to this Committee, he confirmed that there had been no major changes.

The Committee agreed that the Counter-Fraud Report 2019/20 and the counter-fraud work performed by the Council was noted

160. ANNUAL INTERNAL AUDIT REPORT & OPINION

The Internal Audit Manager presented his report to the Committee explaining that it was a requirement under the accounting regulations and that CIPFA's best practice also required self-assessments that measured the effectiveness of both internal audit and the audit Committee which had been attached to the report. It was advised that Internal Audit had been undertaking a wider range of non-audit work due to the Covid 19 pandemic therefore this year there would be less audit work completed due to this and as a result that next year's report may see some extra caveats.

The Committee noted the report.

161. PROGRESS AGAINST THE AUDIT PLAN

The Internal Audit Manager presented his report to the Committee advising that it was currently a status report for the year. In view of the Covid-19 crisis the Plan presented to the Committee in February would need to be

reviewed, possibly for the September or November meeting if there was a more stable national position.

The Committee noted the report.

162. SUMMARY OF FINDINGS FROM REPORTS ISSUED NOVEMBER 2019 TO JUNE 2020

The Internal Audit Manager presented his report to the Committee he explained that the report highlighted the results of two recent audits. The Committee was advised that one of these related to the Finance section where CIPFA introduced a new financial management code, however this year was a bedding in year and therefore were not yet mandatory. He also advised that due to the Covid 19 pandemic the Council had already been advised that there would need to be further reviews of the Council's Budget and Financial strategy (referred to in the Code) after the pandemic.

The Committee noted the report.

163. UPDATE ON THE USE OF POWERS UNDER THE REGULATION OF INVESTIGATORY POWERS ACT (RIPA) 2000 AND THE INVESTIGATORY POWERS ACT (IPA) 2016

The Internal Audit Manager presented his annual report to the Committee advising Members that there had been nil reported for the last 10/12 years and confirmed that he would be reporting nil usage for the year 2019/20.

An investigatory inspection had been held in late 2019 and the Council received a satisfactory rating. However, it was noted that Member awareness needed to be reviewed and therefore a brief overview had been included as part of the report to the Committee.

It was asked how Arun District Council compared with other Councils in terms of using these powers. It was explained that we've not found the need to use it. In order to use these powers we would be required to go to a magistrate for approval. The Council in the first instances would always prefer to complete an investigation overtly and not invoke the RIPA powers.

The Committee noted the update.

164. INFORMATION / ADVISORY DOCUMENTS RECEIVED

None.

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165. WORK PLAN REVIEW 2020/21

The Internal Audit Manager presented the Work Programme for 2020/21 to the Committee, he advised that all the changes that had been agreed to today would be added and an updated work programme would be circulated to Members.

The Committee

RESOLVED that;

- 1) the work programme for 2020/21 be approved.

(The meeting concluded at 7.30 pm)