

## **AUDIT COMMITTEE**

**THURSDAY 30 JULY 2020 AT 10.00 AM**

**PRESENT:** Councillors Birks, Bomford, Mrs Bowman, Mrs McKerrell, Meller, Patrick and Dr Tickner

**OFFICERS:** Deputy Chief Executive (for Item A.6 – Audit of Driver Checks)  
Corporate Director of Governance and Regulatory Services  
Corporate Director of Finance and Resources  
Principal Auditor

**ALSO**

**PRESENT:** Key Audit Partner (Grant Thornton)  
The Leader  
Deputy Leader, and Finance, Governance and Resources Portfolio Holder  
Communities, Health and Wellbeing Portfolio Holder

### **AUC.01/20 APOLOGIES FOR ABSENCE**

Apologies for absence were submitted on behalf of the Engagement Manager (Grant Thornton) and the In-Charge Auditor (Grant Thornton)

### **AUC.02/20 DECLARATIONS OF INTEREST**

Councillors Bomford and Dr Tickner declared a registrable interest in accordance with the Council's Code of Conduct in respect of Item A.6 - Audit of Tullie House. The interests related to the fact that they represented the City Council on the Tullie House Museum and Art Gallery Trust Board.

Councillor Patrick declared an interest in accordance with the Council's Code of Conduct in respect of Item A.6 – Audit of Homeless Accommodation. Councillor Patrick advised that she worked as a Homeless Support Officer for the Eden Homeless Team.

### **AUC.03/20 APPOINTMENT OF CHAIR**

The Corporate Director of Governance and Regulatory Services welcomed all those present to the first meeting of the Audit Committee in the current Municipal Year. He indicated that the first item of business was to appoint a Chair of the Committee for the 2020/21 Municipal Year and sought nominations in respect thereof.

Councillor Birks moved and Councillor Dr Tickner seconded that Councillor Patrick be appointed Chair of the Audit Committee for the 2020/21 Municipal Year.

Councillor Mrs Bowman moved and Councillor Mrs McKerrell seconded that Councillor Meller be appointed Chair of the Audit Committee for the 2019/20 Municipal Year.

Following voting, it was:

**RESOLVED** – That Councillor Meller be appointed Chair of the Audit Committee for the 2020/21 Municipal Year.

Councillor Meller thereupon took the Chair.

#### **AUC.04/20      APPOINTMENT OF VICE-CHAIR**

The Chair sought nominations with regard to the appointment of a Vice-Chair of the Committee.

Councillor Mrs McKerrell moved and Councillor Meller seconded that Councillor Mrs Bowman be appointed Vice-Chair of the Audit Committee for the 2020/21 Municipal Year.

Councillor Dr Tickner moved and Councillor Birks seconded that Councillor Patrick be appointed Vice-Chair of the Audit Committee for the 2020/21 Municipal Year.

Following voting, it was:

RESOLVED – That Councillor Patrick be appointed Vice-Chair of the Audit Committee for the Municipal Year 2020/21.

#### **AUC.05/20      PUBLIC AND PRESS**

RESOLVED – That the Agenda be agreed as circulated.

#### **AUC.06/20      MINUTES OF PREVIOUS MEETING**

The Chair moved the Minutes of the Audit Committee meeting held on 18 December 2019; which had been received and adopted by Council on 3 March 2020.

RESOLVED – That it be noted that Council had, on 3 March 2020, received and adopted the minutes of the Audit Committee meeting held on 18 December 2019. The minutes would be signed by the Chair at the first practicable opportunity.

#### **AUC.07/20      MINUTES OF BUSINESS AND TRANSFORMATION SCRUTINY PANEL**

The Minutes of the meetings of the Business and Transformation Scrutiny Panel held on 2 January; 13 February and 28 May 2020 were submitted for information.

Referencing Minute BTSP.13/20, a Member noted that, although the Audit Committee had made a reference for the Panel to receive an update on how the City Council was supporting Brexit preparations, it was determined that a report was no longer required. She wished the Audit Committee to note that the reference had not been actioned.

Speaking in her capacity as Vice-Chair of the said Scrutiny Panel, another Member explained that the issue had been removed from the Panel's Work Programme. It was subsequently reinstated and Members were anticipating the submission of information to their September 2020 meeting.

RESOLVED – That the Minutes of the meetings of the Business and Transformation Scrutiny Panel held on 2 January; 13 February and 28 May 2020 be noted and received.

Due to technical difficulties, and to facilitate attendance by the Key Audit Partner (Grant Thornton), the Chair agreed that Item A.4 – Internal Audit Annual Report 2019/20 be taken as the next item of business.

## **AUC.08/20      INTERNAL AUDIT ANNUAL REPORT 2019/20**

The Corporate Director of Finance and Resources submitted report RD.07/20, the purpose of which was to give the Designated Head of Internal Audit's opinion on the adequacy and effectiveness of the Council's systems of risk management, governance and internal control from the work undertaken by Internal Audit for the year ended 31 March 2020.

The Designated Head of Internal Audit's opinion was that, based on the completed audit work, Carlisle City Council's overall framework of governance, risk and internal control was reasonable and audit testing had confirmed that controls were generally working effectively in practice although, as detailed at paragraphs 2.6 – 2.9, there were control concerns in relation of ICT services.

In terms of an update, the Corporate Director reported that many of the issues related to vacancies within the ICT team. Shortlisting for a Head of ICT had been completed and it was her understanding that interviews would be taking place in the next few weeks. When in post that person would be tasked, as a matter of urgency, with reviewing the ICT Strategy and considering improvements emanating from previous ICT reports. The Principal Auditor and his team would therefore be able to look at those outstanding recommendations and report back to the Committee as necessary.

Paragraph 2.10 further recorded that, in his dual role as Financial Services Manager and Designated Head of Internal Audit, the officer could confirm that his independence and that of Internal Audit had not been in any way diminished by that working arrangement (the External Quality Assessment (Apr 2018) and annual self-assessment (June 2020) confirmed that suitable arrangements were in place to maintain audit independence).

The Corporate Director then summarised the position as regards the Internal Audit coverage and outcomes; other assurances and Statement of Conformance with Public Sector Internal Audit Standards details of which were set out in paragraphs 2.11 – 2.16; and 2.17 – 2.20 respectively.

A Member thanked the Corporate Director for her update on the recruitment of the Head of ICT, questioning whether the Annual Governance Statement should also make reference thereto.

The Corporate Director replied that mention had been made within the Annual Governance Statement and if Members felt that further details required to be incorporated that could be discussed later on the agenda.

**RESOLVED – That the Audit Committee noted:**

- (i) The progress achieved in 2019/20 in delivering the Audit Plan and the outcomes of completed audit reviews as set out at Appendix A to report RD.07/20;
- (ii) The Designated Head of Internal Audit's opinion of reasonable assurance on the Council's overall systems of governance, risk management and internal control for the year ended 31 March 2020;
- (iii) The Designated Head of Internal Audit's declaration of Internal Audit's independence as required by the mandatory PSIAS;

- (iv) The Designated Head of Internal Audit's declaration of conformance with the mandatory PSIAS;
- (v) The performance of the Internal Audit service as shown at Appendix B.

## **AUC.09/20      EXTERNAL AUDIT PLAN**

The Key Audit Partner (Grant Thornton) presented the draft External Audit Plan for the year ended 31 March 2020, the purpose of which was to provide an overview of the planned scope and timing of the statutory audit of Carlisle City Council to those charged with governance.

Members were reminded of the respective responsibilities under the National Audit Office (NAO) Code of Audit Practice; together with the scope of Grant Thornton's audit which was set in accordance with the Code and International Standards on Auditing (ISAs)(UK).

The Key Audit Partner commented in particular upon the following key areas:

- Page 39 - the significant risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error identified as – valuation of land and buildings; valuation of net pension fund liability; and management override of controls.
- The Addendum to their Audit Plan; the significant additional risks identified in relation to the COVID-19 pandemic being detailed on page 57.
- Grant Thornton had determined planning materiality to be £1.155m for the authority, which equated to 1.9% of the Council's prior year gross expenditure for the year.
- Grant Thornton was required to give a statutory Value for Money (VFM) conclusion on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources. The risk assessment regarding the Council's arrangements to secure value for money had identified a VFM significant risk relating to the financial resilience and sustainability of the organisation, including the Council's arrangement to produce the Medium Term Financial Plan (MTFP).
- In terms of delivery, they had originally planned to deliver the audit in June/July 2020. However, the statutory deadlines for submission of the Accounts had changed due to the impact of COVID-19. Grant Thornton anticipated receipt of the Accounts in the coming weeks and their Team was scheduled to carry out the audit from September 2020.
- The audit fee would be £51,033, subject to the authority meeting their requirements set out on page 48 and 49 of the document pack. Further issues identified during the course of the audit and which may incur additional fees were set out on page 50.
- One of Grant Thornton's audit team had a family member who worked as a team leader in the Revenues and Benefits department at the Council. That was not deemed to be a significant independence risk and the member of the audit team would not be involved in the audit.
- Non-audit related fees of £10,000 relating to the CFO Insights Licence.

Members had no questions to raise, and it was:

RESOLVED – That the draft Audit Plan for 2019/20 and Addendum be noted and received.

## **AUC.10/20      EXTERNAL AUDIT PROGRESS REPORT AND SECTOR UPDATE**

The Key Audit Partner (Grant Thornton) introduced a paper detailing progress in delivering Grant Thornton's responsibilities as the City Council's external auditors.

The Key Audit Partner summarised the progress at July 2020 as detailed within the report. Grant Thornton would report their work in the Audit Findings Report and aimed to give their opinion on the Statement of Accounts by 25 November 2020. It should be noted that the Value for Money work for 2019/20 would be under the previous framework and sub criteria for assessment. He further highlighted the fact that a new Code of Audit Practice came into force on 1 April 2020 for the audit years 2020/21 and onwards. The most significant change was the introduction of an Auditor's Annual Report containing a commentary on arrangements to secure value for money and any associated recommendations. The NAO public consultation was now underway and would run until 2 September 2020.

Attention was further drawn to:

- Page 64 - the update on the impact of COVID-19. It was important to emphasise to Members and Officers that audits were now having to be undertaken 100% remotely which was more time consuming and presented some significant challenges. The Corporate Director of Finance and Resources, the Financial Services Manager (Deputy S.151), the Principal Accountant and the external auditors were working very closely together with a view to meeting the 25 November 2020 deadline.
- Page 67 – Grant Thornton's in-depth insight into the impact of COVID-19 on financial reporting in the local government sector.
- Page 72 – Public Sector Audit Appointments had commissioned an independent review of the sustainability of the local government audit market – undertaken by Touchstone Renard. Grant Thornton were being very vocal in response to that and other reviews.

The undernoted questions were then posed in discussion:

- *In July Grant Thornton Head of Local Government had written an essay, included as part of a collection in the Localis report – “Building for renewal: kickstarting the C19 housing recovery”. A Member asked whether the suggested move away from the piecemeal towards a comprehensive and strategic response with the key workers demographic at its heart and towards public social rented housing was a national trend.*

The Key Audit Partner (Grant Thornton) did not wish to comment further than what was written, other than to say that variations existed in different parts of the country, i.e. a combination of public and private housing.

- *One of the key findings of the Future Procurement and Market Supply Options Review was that almost all of the approved firms had reservations about remaining in the market. A Member sought further information on that finding and confirmation as to whether it would impact upon the City Council.*

The Key Audit Partner (Grant Thornton) replied that there was a recognition, from various reports including the Touchstone Renard and Redman Review which hopefully would be published in November, that there had been a 'perfect storm' in the market. There had been a drive down on fees and, at the same time, ever increasing regulatory pressure on the auditing profession. The risk/reward balance had therefore shifted so significantly that the current view of the nine approved firms was as highlighted by the Member. Of those approved firms, only five were working under the Public Sector Audit Appointments framework.

The Key Audit Partner (Grant Thornton) also commented upon issues around sustainability in terms of the ability of what was a specialist workforce to meet statutory completion dates. It was recognised that a re-set was needed within the sector.

From Grant Thornton's perspective it was safe to say that they were the largest provider of public sector audit services and were very committed to the sector and to Cumbria. In the short to medium term he could give an assurance that locally the issue would not impact upon the Council.

RESOLVED – That the Audit Committee noted and received Grant Thornton's audit progress report and sector update for the year ending 31 March 2020; and acknowledged the challenges posed by remote working in terms of completion of the audit.

#### **AUC.11/20      AUDIT COMMITTEE'S ANNUAL REPORT**

The former Chair submitted report RD.17/20 summarising the work undertaken by the Audit Committee during 2019/20. Also included was the Committee's Rules of Governance.

Audit Committees were a key component of an authority's governance framework. The purpose of an audit committee was to provide independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance process. By overseeing internal and external audit, it made an important contribution to ensuring that effective assurance arrangements were in place.

The Audit Committee's annual report (together with the Audit Committee Minutes which were reported to Council throughout the year) provided the Council with information to show how the Audit Committee had fulfilled its role during the year and provided independent assurance to the Council on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance process.

RESOLVED – That the Annual Report of the Audit Committee, which would be submitted to the City Council on 8 September 2020, be noted and accepted.

#### **AUC.12/20      INTERNAL AUDIT PROGRESS 2019/20 (JANUARY TO MARCH)**

*Councillors Bomford and Dr Tickner, having declared a registrable interest, took no part in discussions on the Audit of Tullie House.*

*Councillor Patrick, having declared an interest, took no part in the Audit of Homeless Accommodation*

The Principal Auditor submitted report RD.12/20 providing an overview of the work carried out by Internal Audit since the previous Audit Committee (18 December 2019) to the end of the 2019/20 financial year.

The final outcomes against the audit plan, including performance indicators were recorded in the Internal Audit Report – RD.07/20.

The Principal Auditor advised that eight planned pieces of work (over seven reports) had been completed in the period, namely Audit of Building Control; Audit of Car Parking including Income; Audit of Tullie House; Audit of Driver Checks; Audit of National Non-Domestic Rates; Audit of Treasury Management and Audit of Homeless Accommodation.

He further summarised for Members the information provided at paragraphs 2.3, 2.4 and 2.5 concerning audit work in relation to the Hostels review; Absence Management and an update review of Information Security. The Internal Audit resource was also utilised within the period on the areas identified at paragraph 2.6.

In response to a question, the Principal Auditor confirmed that the assurance level attributed to the Audit of National Non-Domestic Rates was substantial.

The Principal Auditor then outlined each of the above-mentioned audits in turn highlighting, in particular detail, the key points and associated recommendations.

#### Audit of Building Control (Substantial Assurance Opinion)

- *A Member sought clarification regarding Risk 3 – loss of custom to private sector competition (paragraph 2.3 referred).*

The Principal Auditor replied that there were companies which offered the same service as the City Council and which vied for business. Recognition of the fact that the authority could potentially lose out if not competitive had resulted in risk management being put in place.

- *As a public sector body the Council took very seriously the health and safety of its staff. Building control inspections had become difficult given the COVID-19 pandemic necessitating new risk assessments. Would then the risk element from the private sector increase because the Council did adhere to the rules and regulations?*

In response, the Principal Auditor stated that the audit was undertaken in November 2019 and pre any COVID-19 considerations. The health and safety reviewed related to the work done between the team and the Health and Safety Manager in terms of making sure staff were safe on site. He imagined that similar expectations were placed on private companies.

- *A Member was pleased to note that consideration was being given to succession planning and wished to congratulate the Building Control Services Manager for addressing that issue.*
- *Another Member noted that the team was subject to internal and external reviews and questioned who undertook the external reviews.*

The Principal Auditor advised that the team was a member of a professional body and, as part of that membership, obtained regular updates on sector developments and guidance on best practice. At the time of the audit a recent external review had been carried out without any issues.

- *A Member questioned when the external audit final report referred to at paragraph 5.1.9 may be published, adding that the Audit Committee needed sight of such reports.*

The Principal Auditor undertook to follow up on that point.

- *The Building Control Services Manager regularly attended meetings between all Cumbrian Building Control departments to keep abreast of local issues. Did someone deputise on occasions when the officer was unavailable?*

The Principal Auditor indicated that, from memory, he had reviewed the Minutes of those meetings and the Council was represented.

#### Audit of Car Parking including Income (Reasonable Assurance Opinion)

- *A Member acknowledged what was, in her view, a really good audit report; one which demonstrated where Internal Audit added value to improving systems. She was reassured to note that eight of the recommendations had been implemented and*

*questioned whether that included the high level Recommendation 5 (the outstanding debts should be resolved and a revised service level agreement should be presented to M&S including relevant fees).*

The Principal Auditor confirmed that action was in place to address that recommendation and it was progressing.

The Deputy Chief Executive summarised the correspondence and difficulties experienced in relation to recovery of that debt which were a source of frustration to the Council's finance and car parking teams. Unfortunately, COVID-19 had impacted upon resolution thereof. It was nevertheless the Council's determination to address that recommendation and it may be that consideration would require to be given to the future management and support of the site.

- *A Member noted (paragraph 5.2.3) that the bodycams used by the Civil Enforcement Officers (CEOs) recorded audio and sought clarification on the policy around the use of such recordings.*
- *Paragraph 5.3.8 detailed that three Officers including the Team Manager (Parking and Enforcement) had access to cancel parking fines on the system. The Member questioned the grounds upon which a decision to cancel would be taken and why fines challenged by the public did not go through the Council's appeals process.*
- *The Member further sought clarification of the monitoring being undertaken and which would inform the decision on whether the 'Free After Three' parking initiative would continue or not.*

The Principal Auditor replied that his understanding of the Council's Surveillance Camera Policy was that recorded material should not normally be used as that was considered an unnecessary invasion of privacy. While the cameras were purchased prior to the implementation of that policy, it would still be good practice for the Deputy Chief Executive to approve their use in line with policy requirements.

The Deputy Chief Executive added that he had taken advice from the Information Governance Manager regarding the development of a response to the Team Manager (Parking and Enforcement).

The Principal Auditor was not in a position to clarify the process around cancellation of parking fines.

Speaking by way of assistance, the Deputy Chief Executive said that, in his experience, cancellation of fines was quite unusual; such a decision may for example be made where there had been an obvious error and the matter did not warrant going through a formal appeals process.

He added that the Executive had, on 20 July 2020 approved a number of initiatives as the Free After Three trial came to an end on 31 August 2020 (Minute EX.79/20 referred). Monitoring arrangements would by and large have been on patrol and visual.

- *A Member noted that Recommendation 2 – the Deputy Chief Executive should formally approve the use of bodycams (on page 128) had a priority of 'M' whereas on page 118 the rating was recorded as 'H' and questioned which was correct. She also expressed the hope that the documentation sent to the Deputy Chief Executive for approval had now been duly approved.*



The Deputy Chief Executive confirmed that the documentation referred to had indeed been approved.

The Principal Auditor added that Recommendation 5 – the outstanding debts should be resolved and a revised service level agreement should be presented to M&S including relevant fees – was the only high graded recommendation.

- *Recommendation 9 – management should review the current safe-key holding arrangements to ensure a suitable process is in place to ensure income is fully covered by the Council's insurers. Had clarification been received from insurance?*

The Principal Auditor replied that feedback had been received from insurance that the changed arrangements now addressed the recommendation.

- *A Member commented that the recommendations emanating from the audit review were a clear demonstration of the value of Internal Audit around the identification of issues which needed to be addressed. Accordingly, Internal Audit should be praised for their work.*

*The Member further asked that the Committee be informed when the four outstanding recommendations had been completed.*

#### Audit of Tullie House (Reasonable Assurance Opinion)

- *The City Council and Tullie House had differing expectations in terms of funding in the coming three-year period. Given the potential impact thereof on Tullie House and also the Council's Medium Term Financial Plan, a Member questioned whether that had now been resolved.*

In response, the Deputy Chief Executive explained that the matter had been the subject of correspondence and discussions between the Council and the Tullie House Board over the last month or so. The Board believed that they would meet their current savings requirement during the current financial year.

The Board did, however, have concerns moving forward including additional challenges related to the impact of COVID-19; and would utilise the scrutiny process to raise those issues. Officers would prepare for that scrutiny session in the autumn and seek to obtain a clear understanding of Tullie House's current arrangements since the Museum and Art Gallery had now partially reopened.

#### Audit of Driver Checks (Partial Assurance Opinion)

- *A Member questioned whether there had been a noticeable increase in the use of personal cars as a result of home working due to the COVID-19 pandemic, and whether that impacted upon the undertaking of driver checks.*

The Principal Auditor felt that the use of personal cars would have decreased given that many staff were working from home and were not therefore travelling.

- *Having read the audit report, another Member expressed disappointment and surprise that a robust, centralised policy was not in place to ensure that people driving on behalf of the City Council were appropriately insured, and that those using pool cars had the relevant driving licence in place.*

*Although the recommendations were very thorough, she emphasised the need for a centralised process to be put in place as part of the audit follow-up (whether that be through HR or Finance) to ensure that appropriate checks were carried out on a regular basis.*

*Other Members echoed the sentiments expressed.*

The Principal Auditor confirmed that, because a partial assurance opinion had been attributed to the audit, a formal follow-up would be undertaken. Internal Audit would certainly ensure that the recommendations were properly implemented and that the Council could be assured that Officers were having those checks done and putting the appropriate documentation in place.

- *Referencing paragraphs 5.1.4 and 5.1.7, a Member congratulated the Fleet and Depot Manager for reminding all managers of their responsibilities and offering advice and assistance if needed.*

*Members were further concerned to note (paragraph 5.1.11) that six managers did not respond to the audit which was unacceptable, and emphasised the potential reputational / financial risk to the authority should an accident take place.*

*A Member wished to see, what was a performance management issue, addressed via the supervision and appraisal process.*

The Deputy Chief Executive commented that, as with all partial assurance opinions, the audit report had been received by the Senior Management Team (SMT) who shared and took very seriously the concerns expressed and would take responsibility for ensuring that those messages were conveyed to staff.

He welcomed the fact that the audit review had identified issues which required to be addressed in a more fundamental manner. The Drivers' Handbook was complete and now required to be signed off. Additional checks and balances were being put in place via payroll and the payment of mileage claims. SMT would also happily participate in any future audit follow-up and report back to the Committee.

- *A Member questioned whether the driver checks also applied to elected Members and whether such checks were followed up on an annual basis. She wished to be assured that Members were following rules similar to employees of the Council.*

In response, the Deputy Chief Executive undertook to investigate and provide assurance.

The Principal Auditor added that the audit report related specifically to drivers checks for officers. In terms of the follow-up, he would also look into the processes in place for elected Members.

#### Audit of National Non-Domestic Rates (Substantial Assurance Opinion)

- *Recommendation 2 – appraisals should be undertaken with all Officers and the appraisal documents should be completed timely and processed in line with the Council's processes. Given the COVID-19 pandemic, would there be a delay in implementation of that recommendation?*

The Principal Auditor replied that the team appraisal was due to be carried out and implemented by 30 September 2020 and that would be followed up. The City Council was using Microsoft Teams and would be able to deliver appraisals via that platform.

#### Audit of Treasury Management (Substantial Assurance Opinion)

The Committee had no questions or issues in relation to this audit review.

#### Audit of Homeless Accommodation (Substantial Assurance Opinion)

- *Paragraph 4.3 recorded that there were financial concerns within the service as income was below budget and staffing costs were higher than budgeted to meet service demands. Given the critical nature of the service, a Member was pleased that the need to consider the adequacy of the budget in terms of service delivery had been identified.*

RESOLVED – That the Audit Committee:

1. Noted the progress against the Audit Plan for 2019/20 set out within Report RD.12/20.
2. Received the final audit reports as outlined in paragraph 2.2; and welcomed the substantial assurances provided, subject to:

#### Audit of Driver Checks

- (a) Members looked forward to the Internal Audit follow-up and clarification regarding the requirements for elected Members of the City Council.
- (b) Recommend that the non-response from Officers in relation to the audit and the queries within the Council are dealt with via the appraisal process.

### **AUC.13/20      INTERNAL AUDIT PLAN AND PROGRESS REPORT 2020/21**

The Principal Auditor presented report RD.15/20 which recorded that Internal Audit was required, under the mandatory Public Sector Internal Audit Standards (PSIAS), to prepare an annual risk based Audit Plan and Charter for approval by the Audit Committee. A draft Audit Plan and Charter was scheduled to be presented to the Committee on 16 March 2020, however, the meeting was cancelled due to the COVID-19 pandemic.

In lieu of an approved Plan Internal Audit had utilised resources to date in 2020/21 working to the draft Plan. The need to refresh the Plan had, however, been recognised to ensure that it reflected available resource and continued to address those areas that would add greatest value and where the highest risk was deemed to be. The revised Plan had been considered and approved by the Senior Management Team.

The Principal Auditor proposed that there would be 495 direct days of Audit time in 2020/21. That compared to 528 direct days included in the Internal Audit Plan for 2019/20. The redirection was due to time lost to date in 2020/21 due to disruption caused by the COVID-19 pandemic (Appendix A).

He also drew attention to the number of days planned for each category detailed at Appendix B, with the variations from 2019/20 identified at paragraph 4.2. Risks relating to cyber security and IT in general remained high profile. The in-house team did not possess the suitable knowledge and resource to properly review and assess the technical aspect of those risks and therefore proposed to again procure up to 14 days resource from a specialist IT auditor.

The level of coverage was considered sufficient to provide an opinion on the systems of governance, risk and internal control in line with the PSIAS and in order to support the preparation of the Annual Governance Statement. Due to the ongoing pandemic potential existed for further disruption and downtime. That had, however, been factored into the planning process and Internal Audit had determined those jobs considered a priority to ensure a suitable level of coverage was maintained.

The PSIAS also reflected the requirement for internal audit plans to be flexible in order to respond to new and emerging risks to the organisation. Some capacity was therefore built into the Plan to allow Internal Audit to respond to such issues. Should contingencies be exhausted during the year, the approved Plan may need to be revised.

The Principal Auditor commented upon the categories of Internal Audit work, details of which were provided at Section 5 of the report; the audit progress (April – July) identified in Appendix C; the Internal Audit Charter (Appendix D) and audit follow-up arrangements detailed at Section 7.

In terms of the effectiveness review of the Audit Committee, he advised that an alternative date for the internal workshop would be arranged following this meeting.

A Member commented upon the comprehensive nature of the document, but asked whether it would be possible, in future, for Appendix C to be produced using a large font so that the text was easier to read. Other Members concurred with that request.

The Member also sought clarification on what was meant by “Waste Services Culture Review” and the investigations which had taken place.

The Principal Auditor was unable to comment upon the specifics of those confidential investigations. However, one of the recommendations was that a cultural review be undertaken in Waste Services to ensure that individuals acted in line with the Council’s culture in terms of how the authority wished to achieve its objectives. Should differences in opinions arise those would be reported and a recommendation made.

The Corporate Director of Finance and Resources confirmed that Officers would certainly look to address the issue of font sizes within documentation submitted to the Committee.

The Corporate Director reminded Members that an effectiveness review had been undertaken some years before by an external facilitator. It was decided to undertake the review internally this year, to which end the Principal Auditor had circulated questionnaires to all Members and substitute Members of the Audit Committee; which would form the basis of a workshop.

She asked whether, having been appointed earlier in the meeting, the Chair and Vice-Chair were comfortable that the workshop progress as an internal event.

The Chair and Vice-Chair indicated their agreement.

RESOLVED – That the Audit Committee:

1. Had considered and approved the 2020/21 Audit Plan attached at Appendices A – C of Report RD.15/20.
2. Approved the Internal Audit Charter for 2020/21 attached at Appendix D.
3. Noted the progress made by Internal audit in 2020/21 to date.

4. Noted the progress made on audit recommendations to date outlined in Appendix E.
5. Agreed that arrangements be made for an internally facilitated Effectiveness Review workshop to take place post this meeting.
6. That Officers take steps to ensure that appendices to future reports are produced using a larger font size.

#### **AUC.14/20 DRAFT ANNUAL GOVERNANCE STATEMENT 2019/20**

The Corporate Director of Finance and Resources submitted report RD.19/20 providing the City Council's draft Annual Governance Statement for 2019/20. The Annual Governance Statement (subject to Audit) had been certified by the Chief Executive, the Leader and herself (in her capacity as Council's S151 Officer), in accordance with statutory requirements and would be formally approved following completion of the audit process.

The Corporate Director summarised the background, advising that there were no areas of weakness which needed to be brought to Members' attention at this time. She further highlighted the work undertaken by Council Officers to update the Good Governance Principles; the various sources in place to provide assurances over the Council's governance framework; and the key developments noted in the annual governance statement detailed at Section 2 of the report.

The Internal Audit opinion of reasonable assurance on the Council's overall systems of governance, risk management and internal control for the year ended 31 March 2020 was recorded elsewhere on the agenda (Internal Audit Annual Report).

In terms of the requirements of the updated Good Governance Framework, the Council's Local Code of Corporate Governance had been updated in line with those principles and was approved by the Audit Committee on 27 September 2017.

The Corporate Director advised that she and the Principal Auditor attended the Risk Management Sub Group and she attended the Corporate Risk Management Group; and these Groups continually monitored risks within the authority which currently flowed out of any Internal Audit Reviews; which risks were picked up during preparation of this document.

If there were any amendments which Members wished to make, the Statement could be reissued to the external auditors.

A Member welcomed submission of the draft Annual Governance Statement, which acknowledged what the Council did really well and also future challenges.

Page 256 made mention of the fact that a reasonable assurance opinion had been provided, but noted a high level of recommendations relating to ICT that required scrutiny during 2020/21. The Member questioned whether the wording of that paragraph needed to be strengthened in recognition of the concerns that actions had not been implemented and there were gaps in the service.

Although she did not wish to input significant detail within the Statement, that being recorded as part of other reports, the Corporate Director undertook to take the Member's comments on board and to strengthen the paragraph referred to.

**RESOLVED – That the Audit Committee:**

1. Noted the content of the 2019/20 draft Annual Governance Statement, noting that the Statement would accompany the Annual Statement of Accounts following the audit process.
2. Requested that the Corporate Director of Finance and Resources strengthen the wording of the paragraph on page 256 as alluded to above.

## **AUC.15/20 DRAFT STATEMENT OF ACCOUNTS 2019/20**

The Corporate Director of Finance and Resources reported (RD.18/20) that, due to the COVID-19 pandemic, an amendment was made to the Accounts and Audit Regulations 2015 concerning the extension of the statutory deadlines for publication and audit of the Statement of Accounts.

The new requirements were for the Council's Statement of Accounts 2019/20 (subject to audit) to have been certified by the S.151 Officer in accordance with statutory requirements by 31 August 2020. They would then be subject to audit, which must be concluded by the revised statutory deadline of 30 November 2020.

The Corporate Director explained that Officers had been working to their original timetable. However, other deadlines relative to returns which had to be prepared and which formed a significant part of the Statement of Accounts were delayed until 31 July 2020. Unfortunately, therefore it was not possible to present a draft set of Accounts to this particular Audit Committee meeting.

The Corporate Director hoped to be in a position to send the Accounts to the auditors in the coming weeks, at which time she could forward a copy to the Committee. Members could be assured that they would receive a report at their November 2020 meeting with the amended Statement of Accounts following the audit process, and detailing any changes made.

Whilst appreciating the Corporate Director's explanation of the position, a Member questioned whether the Council's website would be updated to reflect the changed timescales for publication of the Accounts.

The Corporate Director confirmed that could certainly be done.

**RESOLVED – That the Audit Committee noted:**

- (i) The reporting and publication requirements for the 2019/20 Statement of Accounts which had been amended to reflect the COVID-19 pandemic;
- (ii) The progress being made to ensure the accounts were prepared in accordance with the necessary requirements;
- (iii) That the Annual Governance Statement would be considered and approved separately from the Statement of Accounts as specified in the Accounts and Audit Regulations 2015; and
- (iv) That the Corporate Director of Finance and Resources arrange for the Council's website to be updated to reflect the changed timescales for publication of the Statement of Accounts.

The Corporate Director of Finance and Resources also submitted the following reports for information:

**(a) Provisional General Fund Revenue Outturn 2019/20**

Report RD.01/20 summarising the provisional outturn for the General Fund Revenue Budget and providing reasons for variances.

The Executive had considered the matter on 22 June 2020 (Minute EX.54/20); the Business and Transformation Scrutiny Panel received the report 'for information only'.

**(b) Provisional Capital Outturn 2019/20 and Revised Capital Programme 2020/21**

Report RD.02/20 summarising the 2019/20 provisional outturn for the capital budget and providing details of the revised capital programme for 2020/21.

The Executive had considered the matter on 22 June 2020 (Minute EX.55/20); the Business and Transformation Scrutiny Panel received the report 'for information only'.

RESOLVED – That Reports RD.01/20 and RD.02/20, together with the references from the Executive be noted.

**AUC.16/20 TREASURY MANAGEMENT OUTTURN 2019/20**

The Corporate Director of Finance and Resources submitted the Annual Report on Treasury Management (RD.03/20), as required under both the Financial Procedure Rules and CIFPA Code of Practice on Treasury Management. The regular report on Treasury Transactions for the period 1 January 2020 - 31 March 2020 was also submitted.

The Executive had considered the matter on 22 June 2020 (Minute EX.56/20); the Business and Transformation Scrutiny Panel received the report 'for information only'. The City Council had approved the report on 14 July 2020.

The Corporate Director highlighted in particular:

- The money market conditions; long term funding; and investment transactions detailed at paragraph 2.1, 3.2 and 6.4; and
- The outstanding investments set out at Appendix B.3.

RESOLVED – That Report RD.03/20 be noted and received.

[The meeting ended at 12.05 pm]