



Minutes of the meeting of the **Corporate Governance & Audit Committee** held in Virtually on Monday 22 March 2021 at 2.00 pm

Members Present: Mr F Hobbs (Chairman), Dr K O'Kelly (Vice-Chairman), Miss H Barrie, Mr J Brown, Mr A Dignum, Mr T Johnson, Mr D Palmer and Mr P Wilding

Members not present:

In attendance by invitation: Mr K Suter (Ernst & Young LLP)

Officers present: Mrs H Belenger (Divisional Manager for Financial Services), Mr M Catlow (Group Accountant (Technical and Exchequer)), Mr D Cooper (Group Accountant), Miss K Davis (Democratic Services Officer), Mr S James (Principal Auditor) and Mr J Ward (Director of Corporate Services)

65 Chairman's Announcements

There were no Chairman's Announcements.

66 Approval of Minutes

The minutes of the meeting held on 18 January 2021 were agreed as a correct record.

67 Urgent items

There were no late items.

68 Declarations of Interest

There were no declarations of interest relating to business to be transacted on the agenda.

69 Public Question Time

There were no public questions.

Annual Audit Letter Year ended 21 March 2021 - E&Y

The Chairman invited Mr Suter from Ernst and Young (E&Y) to introduce the report.

Mr Suter explained the purpose of the annual audit letter was to provide a summary which was less technical, and therefore offered greater accessibility, bringing into the public domain, areas and findings previously reported following the approval of the results report and statements of accounts.

Mr Suter drew Members' attention to key aspects within the summary:

- The impact of Covid-19 pandemic and response to this situation.
- Provision of an unqualified audit opinion on the Councils' financial statement and value for money conclusion.
- Confirmation of certifying completeness of the audit and that it had been closed for 2019/2020.
- Audit fees as part of the closing procedures and after the presentation the fees being proposed would be submitted to the Public Sector Audit Appointments (PSAA) for their final confirmation and review.

In response to questions, the following was advised:

On the question of whether the wording in the report implied the Council were withholding information, when the issue had in fact been due to Ministry for Housing, Communities and Local Government not providing the details of forthcoming rebates with regards to Covid-19, Mr Suter responded that 'going-concern' as testament could be made by management dependent upon the available information and not that there was a deliberate withholding. Mr Suter added that the previous year had been unusual, and disclosures would be required to be more extensive.

With regards to the 2018/19 comparator figures of £32,955k in relation to Note 25 Grant Income - Mr Suter advised that in previous year's accounts, the Council had not included elements of the housing benefit subsidy in the notes. EY has asked for its inclusion this year, and to restate the prior year comparison, to provide a year on year comparison.

On the matter of the resolution of the difference of opinion in relation to the fees, Mr Suter explained that all fees whether or not they had been agreed had to be submitted to PSAA, the body which appointed E&Y, when the Council opted into the contract a few years previously. The PSAA would have the final decision and will be in contact with both E&Y and the Council to gather information. Mr Suter confirmed that the figures were included within the report, the additional work undertaken and revised scale of fees proposed. Mr Suter also confirmed the full report was available via agendas, minutes and the Council's website.

On the question of the Council as a 'going concern', Mr Suter advised whilst the values within the accounts require the 'going concern' basis of accounting in order that they are complied, E&Y had questioned whether the Council would be able to maintain the current level of services within the audit report, as this information was considered important for members of the public.

Mr Suter explained that the scale fee rebasing element was E&Y's response to PSAA and discussion of changes within audit fees and to ensure the fees were representative of the amount of work undertaken and the level of risk within local authority's accounts and related work year on year. The Committee had previously raised questions when E&Y had presented their audit plans, as to whether the work could be completed for the audit scale fee which, although agreed, Mr Suter confirmed that E&Y would prefer to be paid for the work undertaken. In 2020 PSAA had asked EY to calculate the amount of additional work undertaken over time due to the changes in regulations and standards, for which E&Y wished to be paid for the conduct of the audit.

Mr Ward advised that the audit process this year was more difficult for the Council's officers and the external audit team, and assured Members that the additional audit fees had been examined in detail with Mr Suter and challenged, and whilst above the original proposed fee one element was removed following Mr Ward's review.

The Chairman thanked Mr Suter for the work completed.

Resolved

That the report be noted.

71 2020-21 Accounting Policies

The Chairman invited Mr Catlow to introduce the report.

Mr Catlow explained that the report was similar to previous years, as the code on which the accounts were prepared based on the Council's interpretation of professional standards within in the financial statements had not significantly changed. The report detailed the limits set in terms of materiality, which referred to the larger and significant numbers reflected in the accounts and below what level, the omission would not affect the users of the financial statements. This was generally set at £1 million, although figures below that threshold of particular interest had been highlighted. Mr Catlow added that changes had been minor but the definition of 'materiality' had altered to include the concept of avoidance of obscuring information by for example splitting up or netting off figures. Mr Catlow further added that he and the other group accountants would review and restructure the accounts this year to ensure information was not obscured.

In response to questions, the following was advised:

Regarding the number of years before investments had to be taken to market, and whether there were currently any significant losses, Mr Catlow confirmed that under fair value accounting, this would take place at the end year for 2023/24, and at the last calculation the loss was currently £1 million but it had recovered significantly since 31 March 2021 when the loss was sitting at approximately £3.4 million and there was a further two years left for the markets to reflect and recover post the Covid-19 pandemic. The Council was not alone and the Government may reconsider and there had been a number of statutory overrides for which the Government had extended periods.

Mr Cooper advised that there had been a change to preparation deadlines this year in response to the Covid-19 pandemic. The deadlines for draft accounts and audit had been moved from the end of July to September and this revised regulation date would run for two years. Draft statements will be prepared by 31 July 2021, the external auditors providing audit results and opinion by September 2021, which may impact on the timetable of the Committee as the approval of the accounts will be required by 30 September 2021.

Resolved

That the Committee considered the report and approved the continued application of existing accounting policies in the preparation of the Council's 2020-21 financial statements.

72 Progress Report - Audit Plan 2020/2021

The Chairman invited Mr James to introduce the report.

Mr James reported that five audits had been completed since the last meeting of the Committee, and drew Member's attention to the report which provided the details of the results of the audits.

With regards to the Audit Plan, Mr James assured the Committee that the audits deferred from 2020/21 due to staff sickness and redeployment would be included in the Audit Plan for 2021/22. The plan had been prepared to consider risk, value and system complexities and it was envisaged that a large proportion of that plan would be undertaking the key financial systems work, with the remaining time taken up with annual activity and the audits considered high risk or had not previously been audited. The current position following the debt recovery audit had been prepared by Miss Standing, the Divisional Manager for Revenues, Benefits and Customer Services, and internal audit were satisfied with the progress being made. Miss Standing would provide a further report later in the year.

On the matter of retrospective purchase orders, Mr James confirmed a policy had been put in place in January 2020, and 54% of purchase orders had been raised late during the period of April to October 2020. This had not previously presented as an issue, as this was the first time this audit had been carried out and follow-up work would be undertaken to ensure the situation had improved. Mrs Belenger confirmed the policy would have been enforced but during the lockdown period, invoice processing had to be completed manually, and remote working had resulted in it not being possible to do so, but progress was now being made.

With regards to the disposal of IT equipment and a lack of records that data had been removed from the hard drives, Mr James responded that this matter would require information from the IT manager. The company used for the destruction of laptops carried out testing and a rebate was provided on those which were identified with the potential to be usable. In relation to whether IT equipment could be passed on to charitable organisations supporting residents, Mr Ward confirmed he would investigate this suggestion with the IT manager.

The Committee agreed to note the report.

73 **Budget Review Task and Finish Group Feedback**

The Chairman invited Mr Palmer to provide feedback from the Budget Task & Finish Group (T&FG).

Mr Palmer began by explaining that the T&FG included Members from both this Committee and Overview and Scrutiny Committee. Mr Palmer reported that the group originally scheduled for December 2020 were not able to meet until a week prior to the budget being presented to Cabinet with the papers provided the day before the meeting was held, which was considered to be unsatisfactory by the group. Mr Palmer commented that he wished on behalf of the group to propose for this year, that the meeting was held in September to ensure it had appropriate input into the budget setting process, adding that he also believed that the group should have a firmer role, a review of the Terms of Reference was required, and an improved understanding of the process. Mr Palmer also referred to the potential difficulties which may arise from Covid-19, and the need to define the role of the group. Mr Ward explained that the purpose of the Budget T&FG was to receive a briefing from officers on the Cabinet's Draft Budget. The briefing provided an opportunity for a fuller understanding, but at that stage it was a Cabinet draft proposal. With regards to how the budget was formulated, there were several stages, the first of which took place in September or October, with a Cabinet strategy day at which the emerging pressures and how the Cabinet would wish to address them, were discussed. This formed part of the financial strategy paper which was considered by this Committee prior to the Christmas period and was at that point a high level strategy, and a detailed budget would not be available at an earlier stage.

The Chairman sought clarification regarding whether there was a mechanism by which those allocated to the T&FG could put forward different views, considering this was a Cabinet draft budget. Mr Ward responded that the only mechanism was by the normal motions procedure at full Council and added that all political groups were able to vote in relation to the budget at full Council. Mr Ward explained that he had contacted all group leaders to request under the motions procedure sight of any alternative budget proposals to allow officers time to provide advice regarding their validity and whether they were achievable. The draft budget was developed by the governing group through the Cabinet mechanism and any member who wished to influence the budget would be required to engage with the leader and relevant cabinet member and consult officers on any technical aspect. Mr Ward also confirmed that the minutes from the T&FG could be shared with the Members of the Committee.

With regards to the process and associated timeline, Mr Ward explained that the budget process began in the autumn with a review of the Council's five year financial strategy and was brought to this Committee, then to the Cabinet and finally full Council. Mr Ward concurred that there was scope to engage more with opposition groups and previously the current Leader had invited the Leader and

Deputy Leader of the opposition to strategy days. A wider focus could be achievable but would not include the level of detail that was available at the T&FG as the details of the financial allocations the Council would receive were not provided until nearing the Christmas break. Much of the budget was a summation of the policy decisions made throughout the year and as such should not present unexpected information to Members. It would be possible to engage with opposition groups when formulating the financial strategy and Mr Ward reminded Members that there was a political emphasis to the budget and groups were not required to share their strategy.

The Chairman summarised that the name of the T&FG led Members to believe they would be given an opportunity for input rather than receiving information, that the T&FG could be given a broader forum, and he requested clarification regarding whether there could be provision for a meeting for the opposition to present their views. Mr Ward responded that these were valid points. Following the Cabinet Strategy Day the Leader had held a briefing with all group leaders and with both the Chief Executive and Mr Ward present, and this included the emerging financial pressures. Mr Ward concluded that he would examine this request further and consult with group leaders and senior leadership team on this matter outside the meeting.

The Committee noted the verbal report.

74 Governance Review Task and Finish Group- Terms of Reference

The Chairman invited Mr Ward to introduce the report.

Mr Ward explained a motion was taken to full Council to review governance arrangements. Mr Ward drew Members attention to the resolution passed included within the report and the associated details. The proposal was to form a T&FG, noting there had been some discussion during the meeting regarding the appropriateness of this title, and confirming that this group would be an advisory group and not a decision making group and such groups were titled T&FGs. Mr Ward drew attention to the main task of the group to consider a number of governance issues, particularly whether the Council moved to a hybrid system of committees, and the frequency and timings of meetings mooted by some Members following the 2019 elections. The Leader of the Council had undertaken to hold a review of the timings of meetings, in time for the next Council which was two years away. Full Council in May 2022 would consider the introduction of hybrid meetings when legislation allowed and Mr Ward advised that from 7th May 2021, the Council would be required to revert back to physical meetings. The group would also consider the scheme of delegation to Members and officers to ensure this was relevant and current and limits were set at the appropriate authorisation levels. The group would further review discretionary elements of how the Council's meetings were run for example public question time and questions to the executive, to ensure they are appropriate. Mr Ward confirmed that the proposal was to form a group of six Members which must reflect the political balance as agreed by Council and drew Members attention to the table within the report. However, there had been some debate regarding whether this number should be increased to eight, which would

allow four Conservative, two Liberal Democrats, one Independent and one from the Minority Groups (Local Alliance, Labour and Green).

Mr Dignum reported that group leaders Mrs Lintill and Mr Moss had agreed to eight members for the T&FG.

Dr O'Kelly also proposed an addition to the wording of the Terms of Reference: The T&FG will consult widely across the Council and with group leaders to formulate a recommendation that is supported across the Council. The Chairman confirmed he was satisfied with the addition.

Mr Johnson arrived at the meeting.

It was confirmed that that Mr Dignum, Mrs Purnell, Mrs Duncton and The Chairman would join the T&FG from the Conservative group, and Mr Brown and Dr O'Kelly from the Liberal Democrats. Mr Johnson confirmed that the representative from the Minorities group would be confirmed in the coming days.

Mr Ward confirmed that ideally the entire membership would have been appointed at this meeting, but as that was not possible, the recommendation should be amended to state: 'The Group Leaders are asked to appoint members....'. Mr Ward added that the resolution of the Council required the T&FG was led by a Chairman appointed from the CGAC membership and therefore could be appointed now. The Chairman, Mr Hobbs was proposed by Mr Dignum, seconded by Mr Wilding and with Mr Brown withdrawing and no other nominations coming forward, Mr Hobbs was appointed Chairman of the T&FG.

The recommendations as amended were agreed.

75 Exclusion of the Press and Public

It was not necessary to resolve to exclude the press and public from the meeting.

76 Late items

There were no late items.

The meeting ended at 3.20 pm

CHAIRMAN

Date: