

AUDIT COMMITTEE

Meeting held on Monday, 27th July, 2020 at 7.00 pm

Present: Councillor David Walters in the Chair;

Councillors John Baird, Jim Blagden,
Christian Chapman, Arnie Hankin,
Kevin Rostance and Dave Shaw.

Officers Present: Bev Bull, Lynn Cain, Ruth Dennis, Peter Hudson
and Mike Joy.

In Attendance: Michael Butler and David Hoose (Mazars).
Mandy Marples and Hannah McDonald (CMAP).
Councillor Rachel Madden

AC.5 Declarations of Disclosable Pecuniary or Personal Interests and Non Disclosable Pecuniary/Other Interests

No declarations of interest were made.

AC.6 Minutes

RESOLVED

that the minutes of the meeting of the Committee held on 29 April 2020, be received and approved as a correct record.

AC.7 MAZARS: Audit Committee Progress Report

Mazars Director, David Hoose, presented the report and provided the Audit Committee with an update on progress in delivering its responsibilities as the Council's External Auditor.

There had been a few changes to working arrangements during the COVID-19 'lock-down' period and other pressures within the local government sector had led to some further changes in relation to audit approaches as follows:

Remote working

Mazars had moved to working remotely on 16 March 2020 and the arrangements had worked reasonably well and were expected to continue throughout upcoming audits and for the near future, including the reporting and closure stages of the audit.

Timetable changes

There had been significant changes to the statutory timetable for the 2019/20 accounts preparation and publication with the statutory deadlines for the

publication of the draft and audited financial statements being changed to 31 August (from 31 May) and 30 November (from 31 July) respectively. Submission of the Audit Completion Reports to the October Audit Committee meeting was still on track with the Auditor's Report being presented before the end of October 2020.

Financial Reporting Issues

A number of key financial reporting issues as a result of the COVID-19 pandemic have emerged over recent weeks and CIPFA's Bulletin 05 on the Closure of the 2019/20 Financial Statements, summarised the key points to be considered. These points would be discussed with management and considered throughout the audit process.

Work on the Significant Audit Risks and the Value for Money Conclusion were continuing as per the agreed timetable and would be reported on further at the October 2020 meeting of the Committee. No concerns had become evident and much of the progress made has been down to the diligence and continued commitment of the Finance Team whilst the lockdown had been in place.

RESOLVED

that the External Auditor's progress report, as presented to Committee, be received and noted.

AC.8 Public Sector Audit Appointments (PSAA): External Audit Fee 2020/21

The Corporate Finance Manager (and S151 Officer) presented the letter to Members and advised that the Audit Scale Fee for 2020/21 had been set at £43,148, the same as the previous year. This was in line with the amount budgeted for 2020/21. In previous years the Council's External Auditor has been required to write to the Council to communicate the fee but for future years, it had been agreed that it was more efficient for Public Sector Audit Appointments (PSAA) to write out to all bodies directly.

Due to the changing environment as a result of the COVID-19 pandemic, a possible fee variation for any additional work undertaken by Mazars might be required but this would require agreement by the PSAA, prior to being implemented.

RESOLVED

that it be noted that the Audit Scale Fee for 2020/21, as advised by the PSAA, had been set at £43,148.

AC.9 Treasury Management - Annual Report 2019/20

Bev Bull, the Council's Chief Accountant, presented the Council's Treasury Management activities for 2019/20, which had been carried out to manage both the Authority's funding and cash flow transactions with the aim of minimising the risks to which the Council was exposed to when borrowing and lending monies.

Members were advised as to the financial markets and the reduction in the base rates due to the pandemic. In respect of the Council's borrowing activities, it was noted that the net debt stood at around £100m at the end of March 2020 with over £13m being repaid within the last financial year. Loan interest payments, performance against prudential borrowing limits and the Council's current investment income were also presented for Members' information.

RESOLVED

that the Treasury Management performance including the compliant prudential indicators, as outlined in the report, be received and noted and recommended to Cabinet for further consideration.

AC.10 Internal Audit Annual Report 2019-20

Mandy Marples, CMAP Audit Manager, presented the Internal Audit Annual Report for 2019/20 and as Chief Audit Executive, had reached an overall opinion that there was currently a 'satisfactory system of internal audit' at the Council. Findings had indicated on the whole, controls were satisfactory and management had been supportive in implementing any suggested enhancements.

The opinion had been formed by having regard for the following:-

- the level of coverage provided by Internal Audit was considered adequate;
- reliance had been placed on other assurance providers who had contributed to the overall assurance framework;
- work had been planned and performed so as to obtain sufficient information and explanation considered necessary in order to provide evidence to give reasonable assurance that the organisation's control environment was operating effectively;
- insights gained from interactions with Senior Management and the Audit Committee;
- the changing risk environment within the Council had been taken into account during the 2019/20 financial year;
- one change was made to the Audit Plan during the year; a People Management audit was removed and the additional time was spent on securing the implementation of outstanding recommendations;
- no adverse implications for the organisation's Annual Governance Statement had been identified from any of the work that Internal Audit has undertaken in 2019-20;
- the 2019-20 Internal Audit Plan, approved by the Audit Committee on 11th March 2019, was informed by Internal Audit's own assessment of risk and materiality in addition to consultation with Senior Management to ensure it aligned to the organisation's key risks and objectives.

There had been some obvious delays with a couple of the audits due to the COVID-19 outbreak, but of the 17 completed assignments, 14 had attracted either a Comprehensive or Reasonable assurance rating with 2 given a Limited assurance rating. The piece of work which had been undertaken on Anti-Fraud could not be assigned an assurance rating due to the nature of the review.

Arising from the completed assignments a total of 98 recommendations were made, 62 of which were categorised as low risk, 36 were considered to be a moderate risk with none presented as a significant risk or critical finding.

Members were asked to note that the 'assurance ratings' would look slightly different in next year's annual report as CMAP were due to adopt some changes to their ratings definitions in line with recent guidelines.

RESOLVED

that the 2019/20 Annual Report of Internal Audit and Internal Audit Opinion that supports it, be received and noted.

AC.11 Audit Progress Report

Hannah McDonald, CMAP's Group Auditor, presented the report and summarised audit progress between 4 December 2019 and 9 July 2020, with 7 assignments having being completed during that time.

The People Management audit was removed from the 2019/20 plan to allow for additional time to be spent on recommendation follow up work so the review has been reintroduced to the 2020/21 Audit Plan for completion.

Members acknowledged that it was highly likely that the delivery of the 2020/21 Audit Plan would be affected in some way by the Covid-19 pandemic and the anticipated audit work on the Business Support Grants has already been introduced and commenced.

Members were advised that of the 7 completed assignments, 2 had received a comprehensive assurance rating with the remaining 5 receiving a reasonable rating.

In relation to the outstanding moderate and low risk recommendations, many officers, due to COVID-19 lockdown, had requested more time to implement their assigned actions. Extensions had been granted but it remained imperative that the issues were addressed and mitigating actions implemented without too much further delay.

Members considered and discussed the list of outstanding recommendations for the various service areas and acknowledged that the outstanding recommendation from the former Ashfield Homes Limited had now been satisfactorily implemented and closed down.

RESOLVED

that audit assignment progress as at 9 July 2020, as presented to Committee, be received and noted.

The meeting closed at 7.37 pm

Chairman.