

Minutes of a meeting of the **GOVERNANCE AND AUDIT COMMITTEE** held in line with The Local Authorities & Police & Crime Panels (Coronavirus) (Flexibility of Local Authority & Police & Crime Panel Meetings) (England & Wales) Regulations 2020, on Thursday, 26 November 2020 at 4.00 pm.

PRESENT

T A Carter (Chairman)
J R Astill (Vice-Chairman)

C J T H Brewis
A M Newton

P A Redgate
M D Seymour

S C Walsh

In Attendance: M Hodgson (Ernst & Young), F Dodimead (Director of Audit, Eastern Internal Audit Services), the Executive Manager Growth, the Strategic Finance and Compliance Manager, the Deputy Head of Financial Services, the Treasury and Investment Manager, the Strategic Housing Manager, the Senior Change, Innovation and Performance Business Partner, the Democratic Services Manager, the Democratic Services Team Leader, the Democratic Services Officer and the Portfolio Holder for Finance, Strategy and Partnerships.

	<u>Action By</u>
<p>11. APOLOGIES FOR ABSENCE.</p> <p>There were no apologies for absence.</p>	
<p>12. DECLARATION OF INTERESTS</p> <p>There were no declarations of interest.</p>	
<p>13. MINUTES</p> <p>The minutes of the meeting of the Governance and Audit Committee held on 30 July 2020 were signed by the Chairman as a correct record.</p>	
<p>14. 2019/20 AUDIT PLAN AND AUDIT RESULTS REPORT</p> <p>The Associate Partner (Ernst & Young) noted that it was unusual to present both the Audit Plan and Audit Results report on the same agenda. Due to the unusual circumstances of the year caused by the Covid pandemic, this was the first opportunity for presentation of the Audit Plan. The Audit Plan set out the Audit risks to be addressed, and were equally shown in the Audit Results report, and it was therefore agreed that the two reports be presented and discussed together.</p> <p>There had been a number of constraints, with the Council's</p>	

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budget being prepared by Council officers during lockdown, and the whole audit process had been undertaken remotely. There had also been additional financial reporting requirements involving additional procedures, as a result of Covid-19, around property, plant and equipment valuations, pension valuations and the going-concern concept. Auditors were working to a materiality level of £921,000 for the Council.

The following Audit Risks were explained, and were set out in both the 2019/20 Audit Plan and the Audit Results Report:

- Fraud risks- The risk could be that management could override controls and financially mis-report the position of the Council as at 31 March, and through the incorrect capitalisation of revenue expenditure. Auditors had found no evidence of this, and this was a key assurance for the Committee to note.
- Property, plant and equipment valuation– this would be a key risk in any normal audit year, but was heightened this year by the Covid pandemic, and the fact that the balance sheet date of 31 March 2020 was in the middle of the first lockdown period. This was key for assets valued at fair value. The Council had a relatively high level of investment property valued at fair value and the assets therefore had to be considered specifically, and the valuations tested upon which they were set within the financial statements. Auditors were awaiting sample documentation to complete procedures in this area and would expect some additional disclosures to be made in the set of accounts as a result.
- Pension liability on the balance sheet – There were two audit-related issues being focussed on: 1) National remedy to the McCloud issue (an employment equalisation of pay issue last year) – there had been a remedy in July this year, and this remedy had changed some of the assumptions built into the actuarial model behind the liability; 2) Value of investments assets in the Lincolnshire Pension Fund and how these were valued within the actuarial model – assurances had been received from the Pension Fund auditor, which showed that the fund was understated by £12million at 31 March. SHDC's share of this was only £330,000, but this would reduce the liability showing within the draft financial statements. As a result of these two issues, officers had requested an updated actuarial valuation in order to assess the impact on the Council's liability, and to reflect this appropriately in the revised accounts. Ernst and Young were awaiting this updated report.

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- Non-domestic rate appeal provision – This was a key estimate, with key judgement and was complex in its nature. Fluctuations had been seen in past years, giving rise to audit risk however, the auditors had completed procedures and there were no issues highlighted.
- Going concern – This was key for a number of reasons: 1) This was a new audit standard, driving auditors to pay more attention to this area; 2) Covid 19 and the impact it had on the Council's finances. This was especially true as the going concern concept was for a period of 12 months from the date of approval of financial statements. This covered 2 municipal years, the second of which, 2021/22 did not yet have a Local Government Settlement behind it and many Councils across the country were facing additional costs and loss of income as a result of the pandemic and were having to assess their reserve positions. A going-concern assessment had been requested from managers – when received this would have to be reviewed, stress-tested, and consideration given to how this would affect the future liquidity and reserve position of the Council over the 12 month period.

Audit differences (Section 4 of the report) – To date, there were no adjusted numerical differences. Only one un-adjusted error had been found, based on the audit sample extrapolation, which was for a total of only £158,000. Although this technically breached the reporting threshold, it was not considered material in view of the £921,000 threshold, and there was therefore no need for adjustment in terms of materiality.

The report set out areas of work to be completed. The amount of time available meant that Ernst Young would not achieve the publication date of 30 November 2020 for the Audit Report, but a notice could be published on the SHDC website adhering to requirements of Audit and Accounts Regulations. The Associate Partner (Ernst and Young) and the Strategic Finance and Compliance Manager would agree on a date to close out procedures to issue an audit opinion as soon as possible.

The following issues were raised:

- Members asked that their thanks be noted for the work officers at SHDC and Ernst Young had undertaken in bringing the audit to the point it was at currently.
- Within the Audit Plan, the auditors requested that the Governance and Audit Committee confirm its understanding

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of, and agreement to the materiality and reporting levels. The Committee confirmed that this was the case.

- The Audit Plan stated that the auditors met regularly with the Head of Internal Audit to review internal audit plans, and the results of their work – had this happened as planned or had the Covid pandemic made this difficult?
 - The Associate Partner (Ernst Young) confirmed that he and the Director of Audit met regularly, that he had an appreciation of the key messages coming out of Internal Audit's work and how these issues impacted on Ernst Young's responsibilities.
- The Audit Plan stated how Ernst Young were working to support the Authority. However, the audit was behind schedule, and although the Covid pandemic had clearly affected it this year, the audit had also been behind schedule last year. How was the work progressing, and had there been any learning points taken on board?
 - The relationship between the auditors and the Authority was good, and some lessons had been learned from last year however, every audit provided its challenges and the Covid pandemic had clearly impacted on the current one. Ernst Young could provide officers at SHDC with a more up-front list of requirements in order that they could prepare for them in advance. Ongoing discussions and liaison had been good. An audit for an authority of SHDC's size required a significant amount of audit assurance to be gained and there was a small window in which this information could be gained, and the timeframe had therefore over-run. However, the quality of the audit had to be the first consideration.
- Could the auditor provide an estimate for sign off?
 - It was anticipated that, if information was presented in a timely manner, that any outstanding issues could be cleared before Christmas, with sign off after Christmas.
- Within the Audit Plan, specialists used were listed – with regard to valuers for land and buildings, did auditors consider how long a valuer had been used, and whether they could remain objective if this had been for a long time?
 - Where there had been a very long tenure, this could sometimes be an issue however, this was not currently the position. The main criteria that were

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looked at were qualifications and experience in the sector, and ability to do the job, rather than tenure.

- The fee amount was high and had increased greatly. Whilst there was some appreciation that there had been extra work due to the Covid pandemic, had the amount of fees been agreed, and was the amount for additional work in addition to the original quotation?
 - With regard to the main fee, in an ordinary year, public sector audit appointments set an audit fee for each body within its contract remit, which was the scale fee set out in the report. The scale fee was unfortunately linked to risk and audit requirements dating back 10 years, and the auditor believed this to be outdated for the level of risk and complexity involved in undertaking an audit now. The auditors believed that the revised figure was a fair fee to discharge their statutory and professional responsibility under international auditing standards. Discussions had taken place with senior officers at SHDC, who provided their own views, and the information was now with PSAA, as regulator to determine what they believed was the correct fee.
 - With regard to additional Covid-related procedures, it was necessary to complete the audit in order to see what impact Covid had had on the audit – these fees would be over and above the original amount.
 - The Strategic Finance and Compliance Manager confirmed that officers from SHDC had met the auditors to consider the revised proposals. No confirmation had yet been received of the final fee as this was currently being negotiated. Once the recommendations were received, a follow up meeting between SHDC and the auditors would take place, and this would be reported back to the Committee.

- In view of the fact that the accounts had been late in the last year, and would be this year, how long was the contract, when would it be reviewed, and was the Council getting value for money, especially in view of the large increase in fees?
 - The auditors confirmed that last year was the first in a five year contract.
 - The Strategic Finance and Compliance Manager explained that this was a nationally procured contract and the Authority was confined to some extent by the national procurement guidelines. SHDC were reviewing the fees. There was a review

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of external audit fees being undertaken nationally by the Redmond Review and there could be some intervention by Government to this. Officers would provide an update on the national process in due course.

- Members responded that the Committee should monitor the contract with Ernst and Young and also stated that the Covid pandemic could not always be a reason for delay.
- The Approval of Financial statements 2019/20 stated that supporting documents regarding sample testing were still outstanding – was there any further information regarding this?
 - Auditors responded that they had received the respective evidence in respect of General Fund properties but not the investment property element of the portfolio.
 - The Strategic Finance and Compliance Manager confirmed that these were internal records held by SHDC. The fact that these were paper records held on site was making it more difficult to access, but this was currently being progressed.
- Had the delay in the audit for SHDC been replicated with other authorities? Had the Covid pandemic been a contributing factor in delays for all authorities and how did SHDC compare?
 - The auditors confirmed that they were not behind on their procedures, and that they had input the budgeted number of hours agreed. Delays had been as a result of a delay in information requested by the auditor in order to undertake the audit, being provided by the Authority. Equally, many Councils were struggling to provide sufficient information to allow auditors to publish within the timeframes. Covid was having an impact and contributing to delays as remote working was making it difficult to obtain and send the information through.

AGREED:

That both the 2019/20 Audit Plan, and the Audit Results Report be noted.

15. APPROVAL OF FINANCIAL STATEMENTS 2019/20

Consideration was given to the report of the Executive Director Commercialisation (S151 Officer) which sought approval for the

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Annual Governance Statement for inclusion with the Council's published Financial Statements, and approval of the Audited Financial Statements 2019/20 for publication.

The draft 2019/20 Financial Statements were signed by the Section 151 Officer on 28 August 2020, and were considered by the Committee at a training session on 22 October 2020.

A small number of presentational adjustments were made to the draft Financial Statements to ensure compliance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

The external audit of the Financial Statements for the year ended 31 March 2020 was now substantially complete, and the Statements were attached as Appendix A. At the time of writing the report, there were some areas of outstanding work that the external auditors, EY LLP, were still completing, primarily due to delay relating to the availability of up to date pension fund asset values. However, the Committee was advised that the Pension Fund Audit was now complete, a revised Pensions report had been requested for analysis to ascertain whether there had been any material changes from the version used in the accounts. If there had been any material changes, the accounts would need to be adjusted accordingly.

Officers requested that, as the accounts were not yet complete, that recommendation 2 of the report be amended to read:

- That the Section 151 Officer be delegated, in consultation with the Chairman of the Governance and Audit Committee, to authorise any amendments, if required, after the committee date and prior to the official signing of the Accounts.

Members requested that the recommendation be amended further to reflect the fact that the Financial Statements would not need to come back to the Committee, unless there was a material change. Officers responded that the recommendation could be changed in this respect, and even if there were no material changes to make to the accounts, an update would still be provided to the meeting following the signing of the accounts, to provide the Committee with an update to any amendments, if any, had been made following this meeting.

AGREED:

- a) That the Financial Statements 2019/20 (Appendix A) be approved;

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- b) That the Section 151 Officer be delegated, in consultation with the Chairman of the Governance and Audit Committee, to authorise any material amendments, if required, after the committee date and prior to the official signing of the Accounts;
- c) That the Annual Governance Statement 2019/20 be approved; and
- d) That the Letter of Representation to EY (Appendix B) be signed by the Section 151 Officer and the Chairman of the Governance and Audit Committee, on the Committee's behalf.

16. ANNUAL PLAN FOR INTERNAL AUDIT ACTIVITY

Consideration was given to the report of the Head of Internal Audit which set out the revised annual plan for internal audit activity for 2020/21.

The 2020/21 Internal Audit Plan was approved by the Governance and Audit Committee on 12 March 2020. However, in line with the PSIAS, the risk-based plan was required to be sufficiently flexible to reflect the changing risks and priorities of the organisation.

The Coronavirus pandemic had impacted the Council significantly in several ways and Internal Audit therefore needed to remain responsive to the needs and risks of the Council by revising the agreed Internal Audit Plan.

In response to the significant pressure placed on the Council to react effectively to the pandemic, the Chief Executive requested that all 2020/21 Internal Audit activity be paused until at least quarter 2. In addition, the Internal Audit contractors TIAA took the decision to furlough their workforce until 1 July 2020.

The Internal Audit Plan for 2020/21 would therefore be revised to respond to the changing risk profile of the Council, to ensure that Internal Audit and Officer resources were able to support the assurance work required to formulate an opinion on the governance, risk and control framework for 2020/21.

Members were advised that the revised plan had been agreed by managers in October, TIAA had started work on the plan and it had reduced the number of audit days from 225 to 150. The revised plan covered the necessities for the current year, and included a change of direction for some of the audits. This included an assurance mapping exercise to understand how the initial Covid outbreak had impacted on systems and processes and whether anything from the outbreak had impacted enough to warrant further audit work, impacted on the plan for the current or

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next year, or whether the internal audits being undertaken in the current year needed to be revised. Consideration had been given to the Council's response to the outbreak, and how anything around the governance and assurance processes affected the plan. It also included a reduction in the remaining areas, and a Covid audit to be undertaken in quarter 4 to follow on from the assurance mapping exercise. This would look at the Council's long-term response to Covid, how it was managed, and how it was managing the governance, risk and assurance around the Council.

The following issues were raised:

- The report stated that Internal Audit reviews that were included in the original plan for 2020/21 would be deferred to 2021/22, and that a risk assessment would be undertaken to establish whether each area was still required early in 2021 when the risk based internal audit plan for the year ahead was developed. What risk assessment had been undertaken relating to them being deferred in the first place?
 - This was part of the assurance mapping exercise. As part of the exercise, the auditors would be looking to see what was removed from the plan that was a key area to be included, and if there was anything else that was relevant to be included. A comparison was being undertaken with other Councils to see what their plans were, what they had done in response to Covid and if any of these points were relevant to SHDC. The outcome of this comparison exercise would be presented to a future meeting.
- How did the reduction in the number of audit days compare to other Councils?
 - Within the consortium, each authority's plans had been reduced, in other areas, authorities had retained the same level of days. SHDC's number of audit days had not been reduced as much as other authorities. Some areas that were to be looked at in the current year, such as Planning and Licensing (day to day business and how long-term effects of Covid were affecting day to day business) would be considered next year.
- As the number of audit days had reduced, would the amount of payment for the audit also be reduced, or would it be held in contingency for the future?
 - In terms of the contract, TIAA were only paid for the work delivered. It was a flexible contract therefore a reduction in days would result in a reduction in income

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for TIAA, although there was a contingency in place to cover this.

- The report stated that the decrease in the amount of days for the audit represented the absolute minimum assurance required to form a caveated opinion on the governance, risk management and control framework for 2020/21. Were the auditors satisfied with the amount of audit that was being undertaken?
 - Again, this was part of the assurance mapping exercise. A detailed review of the response to Covid was being undertaken and management assurances for each of the areas had been gained. The outcome of the assurance mapping exercise would be presented to the next meeting of the Committee and would highlight whether actions had been undertaken to an appropriate level. Another issue for small councils was payments to businesses, the impact of it and how individual councils were responding to this. The assurance mapping exercise was currently being finalised and consideration would be given to whether the number of audit days should be increased. Consideration was also being given to potentially including another audit and the options for this were to either add to the current year's plan or move to next year's plan.
- With the deferment of a number of audits from this year to next year, did the Authority and TIAA have sufficient resources to undertake next year's programmes in a timely manner, not knowing whether the current difficulties that the Covid pandemic had caused would continue into next year.
 - For the current year, resources had already been allocated to the various audits within the plan. Quarter 3 was already well underway, and resources had been allocated to quarter 4. Consideration had also been given to the resourcing requirements for the next year, with the amount of work going up, and there was spare capacity available to do this. TIAA was well placed to deliver the audits.

AGREED:

That the revised internal audit plan of work for 2020/21 be noted.

17. PROGRESS REPORT ON INTERNAL AUDIT ACTIVITY

Consideration was given to the report of the Head of Internal Audit, which examined the progress made between 21 July 2020

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and 11 November 2020 in relation to the completion of the Annual Internal Audit Plan for 2020/21.

The Governance and Audit Committee received updates on progress made against the annual internal audit plan. The report formed part of the overall reporting requirements to assist the Council in discharging its responsibilities in relation to the internal audit activity.

The Public Sector Internal Audit Standards required the Chief Audit Executive to report to the Governance and Audit Committee the performance of internal audit relative to its agreed plan, including any significant risk exposures and control issues. The frequency of reporting at South Holland was to each meeting.

To comply with the above requirements, the report identified:

- Any significant changes to the approved Audit Plan;
- Progress made in delivering the agreed audits for the year;
- Any significant outcomes arising from those audits; and
- Performance measures to date

The Committee was advised of details of progress made in delivering the agreed audit work, and the outcomes arising from the auditor's work was detailed within the report.

At the meeting on 12 March 2020, the Annual Internal Audit Plan for the year was approved, identifying the specific audits to be delivered. Since that meeting, the plan had been revised in order to better respond to the Coronavirus pandemic.

Due to the late start of the internal Audit Plan for the 2020/21 financial year, no reports had been finalised to date, however the plan of work was on track to the revised timetable.

With regard to the virtual nature of interactions and clients providing information online, a slight delay had been seen in the early stages, however this had now settled down, and new ways of sharing data were continually being developed.

For following issues were raised:

- The report stated that due to the late start of the Internal Audit Plan for work for 2020/21, a quarter one report was not provided, a quarter two report had been provided and upon return from maternity leave, the Internal Audit Manager would receive the quarter three report and would review both of the outputs with regard to the performance. Was this not being

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picked up during the officer's absence?

- There was no work undertaken in quarter one, and quarter two was taken up with the Assurance Mapping exercise. The Director of Audit advised that she wrote the quarterly reports, would send the quarter three report to the member of staff and upon her return, this would be discussed. Anything contentious would be discussed with existing officers.
- Members noted that within Appendix 1, no information had been added in the status column.
 - Each item with a days' delivered figure were in progress, the assurance mapping had reached draft report stage and the remainder were in progress as they had started in quarter three. The first of the audits would be concluded within the next few days. The Housing Benefit Subsidy report was being worked on and was being undertaken by Audit Lincolnshire. The Director of Audit advised that she was in regular contact with Audit Lincolnshire to track progress, and she also advised that no report was produced for this audit.

AGREED:

That the progress of the internal audit plan of work for 2020/21 be noted.

18. FOLLOW UP REPORT ON INTERNAL AUDIT RECOMMENDATIONS

Consideration was given to the report of the Internal Audit Manager, which provided members with the position on the progress made by management in implementing agreed Internal Audit recommendations as at 11 November 2020.

In 2017/18, a total of 85 recommendations were raised by both internal audit providers. Of those, 82 had been implemented by management, three were outstanding (one urgent and two important). The management responses in relation to the outstanding urgent and important outstanding recommendations could be seen at Appendix 2 of the report.

In 2018/19, a total of 76 recommendations were raised by both internal audit providers. Of those, 67 had been completed and 9 (two urgent, six important and one needing attention) were overdue. The management responses in relation to the

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outstanding important recommendations could be seen at Appendix 3 of the report.

In 2019/20, a total of 77 recommendations were agreed. Of these, 44 had been completed, 12 were outstanding (four urgent, four important and four needing attention). A total of 21 were not yet due.

The information within the report was considered, and the following issues were raised:

- It was disappointing that there were still some outstanding actions that were 2-3 years behind the original date, and rather than submitting comments on the report, managers should be asked to attend the meeting.
 - The Chairman confirmed that the Strategic Housing Manager was in attendance to answer questions from the Committee.
- The Strategic Finance and Compliance Manager advised of the three areas outstanding from the 2017/18 audit recommendations: 1) Asset Management programme review of all leases – there was some movement with this item in line with a report that had been presented to the last Cabinet meeting, but the officer could attend the next meeting if the Committee wished; 2) Accounts Payable Key Controls (Finance system) – the recommendation was predicated on the implementation of the new system which had been delayed until 2021; and 3) Welland Homes – the Strategic Housing Manager had been invited to the meeting to provide an update.
- The Strategic Housing Manager provided the following update regarding the outstanding action to devise a service level agreement to formally record the services provided by the Council to Welland Homes, and to the terms on which those services were provided, including service charges. It was anticipated that the final contract would be presented to a meeting of the Board on 26 January 2021. A draft report had been submitted to a Board meeting in August 2020, this had been broadly agreed, and officers were therefore in the latter stages of finalising this action. The main reason for the time taken to finalise the document had been in the understanding and content of the contract and agreeing that between the Council and the Company. At the time the recommendation was made, Welland Homes had one housing project that had been delivered for the Company by SHDC officers. Also at that time there was not an established Housing Development

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Team of officers. Now that a Team was in place, they were setting out the parameters of what the service provision should look like. In terms of the services the Authority provided to the Company, there were two distinct functions – the first was around core services and included company administration, accounts, budgets, statutory returns, servicing the Board meeting and overseeing the property portfolio. The core services were more straightforward in that the Authority had an accountant and a company secretary, and the work was more standard and cyclical. The second function related to project management around new housing development activity. This had to be agreed and clearly understood between both parties. For example, the Company's Business Plan was to have 60 properties in the Company's ownership by 2022. Welland Homes Company Directors wanted to be involved in the selection of the new development, so clear understanding of roles and responsibilities in this regard were important. Some matters specifically to be considered within the contract were around project management fees to be charged to the company – this was essential as they needed to be State Aid compliant. The Authority therefore had to make sure that the fees charged were reasonable in accordance with the market, and had therefore undertaken a benchmarking exercise to ensure set parameters for a charging schedule that was acceptable to both the Company and the Authority. With regard to scheme selection, agreement had to be reached on a process for selecting new housing schemes to ensure that the Board had a fair opportunity to rule out or consider housing schemes. Other matters also needed considering such as Key Performance Indicators, clarification over how fees would be refreshed and agreed going forward, and the parameters around which decisions officers could make on behalf of the Company (operating decisions). It took some time to form the basis of a contract, but a draft agreement had been reached which included all of the main points raised that were agreeable to both parties. This was presented to the Welland Homes Board in August, the Executive Manager Governance was forming the agreement into a contract and it was anticipated that this would be presented back to the Company in January 2021.

- In Appendix 4, it was noted that a number of actions relating to Private Sector Housing had been closed in error and given revised completion dates. How could this happen in an area to receive 'No Assurance', and how confident were officers of a resolution?
 - Members were advised that the removal of the

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actions was an error, and the result of a technical problem with the software used to monitor progress of recommendations. This had now been resolved. The Manager had attended the Committee to provide an update 18 months ago, and he would be invited to attend the next meeting of the Committee to provide a progress report.

- With regard to the Allocations Policy in Appendix 3, the reasons for delay relating to Housing Needs and the revision of the Council's Common Housing Allocations Policy were disappointing. Despite the Covid pandemic, meetings were still taking place.
- With regard to the Financial Services Key Controls – Purchase Order exemption list to be reviewed and updated item, it was assumed that this was still outstanding due to the new system not yet being in place. Had all mitigation around the purchase order system been considered until the new system came into place?
 - As part of the project implementation, the Finance Team and Project Team were considering a Purchase Order system and also rejecting invoices without a purchase order. Work was going on behind the scenes that would be implemented with the new system.
- Why had the paper side of the system not been sorted, even though the computerised side was still ongoing?
 - There were some limitations around the processes within the current purchase order system which was why there was a move to a new financial system. The exemption list of items where there would be no expectation of a purchase order being raised was quite short and static in its content so in terms of action, the exemption list would not change significantly. The main issues were around how the purchase order would be managed.
- With regard to the action that all service areas at both Councils, along with their Data Protection Champions provide the Information Governance Officer with their completed Information Asset Registers, who was actually responsible for this? Was it Managers or the Information Governance Officer?
 - Officers would need to find who had overall responsibility for this and would report back to the Committee.

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AGREED:

That the information detailed within the report be noted

19. MID TERM TREASURY REPORT 2020/21

Consideration was given to the report of the Executive Director Commercialisation (S151 Officer), which provided an update of the treasury management position of the Council as at 30 September 2020.

In December 2017, the Chartered Institute of Public Finance and Accountancy (CIPFA), issued revised Prudential and Treasury Management Codes. As from 2020/21, all local authorities would be required to prepare a Capital Strategy which was intended to provide the following:

- A high-level overview of how capital expenditure, capital financing and treasury management activity contributed to the provision of services;
- An overview of how the associated risk was managed;
- The implications for future financial sustainability.
- A report setting out the Authority's Capital Strategy was taken to full Council as part of the budget setting report on 26 February 2020.

The mid year report had been prepared in compliance with CIPFA's Code of Practice on Treasury Management, and covered the following:

- An economic update for the 2020/21 financial year to 30 September 2020;
- A review of the Treasury Management Strategy Statement and Annual Investment Strategy;
- The Council's capital expenditure, as set out in the capital strategy and prudential indicators;
- A review of the Council's investment portfolio for 2020/21;
- A review of the Council's borrowing strategy for 2020/21;
- A review of any debt rescheduling undertaken during 2020/21;
- A review of compliance with Treasury and Prudential Limits for 2020/21

AGREED:

That the report, the treasury activity as detailed in Appendix A and the economic update from Link Asset Services at Appendix B be

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noted.

20. Q2 STRATEGIC RISK REPORT

Consideration was given to the report of the Executive Director Strategy and Governance, which provided an update to the Committee on the progress of the Council's identified strategic risks.

The report aimed to present an overview of the strategic risks identified by the Council, approach to mitigations and risk scores associated with the risks. The report included, at Appendix 1, a more detailed Strategic Risk Register document. This was the first risk report presented to the Committee since the Coronavirus pandemic, and was a significantly changed document from previous versions. It covered a new set of areas that had arisen as a result of the pandemic including the risks of dealing with more than one specific event at the same time in addition to the challenges around the Covid pandemic, the potential impact on the economy, the ability to conclude Council business, decision making in a virtual way, and business continuity in key areas such as waste collection.

Officers pointed out that the report stated that there were 27 strategic risks with 12 at a medium score. However the number of risks with a low score was stated as 18 however this should have been 15.

As this was the first iteration of the document in the current Covid situation, comments from the Committee were welcomed.

Members considered the report, and the following issues were raised:

- The report was useful however there was a great amount of detail within it which was not easily read on an electronic device.
 - Officers stated that they would work to produce the information in a more user-friendly format.
- Members responded that the Strategic Risk Register itself had much detail on it and needed to be produced in an A3 paper format for consideration at future meetings.
 - Officers replied that this could be done.
- There did not appear to be a definition of what constituted red, amber or green risks.
 - Officers advised that this information was detailed within a grid at the end of the spreadsheets within

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Appendix A

- Technology and infrastructure failure – in view of the fact that recently, email had not been available for a number of days, should the impact of this risk be changed?
 - Officers advised that due to the sensitive nature of this item, the risk owner would provide all members with details outside of the meeting, of the issues around this particular incident.

- The Authority was offering financial support to the leisure provider, Parkwood, until the end of December – this date was approaching quickly. Was this mitigation changing?
 - The current negotiating position with the contractor ran until the end of December. The Authority was working with the contractor to obtain a model for the impact on the business to the end of quarter 4 and this was also being updated to reflect the impact of the announcement today regarding the introduction of tier 3 restrictions. The Authority was awaiting the opportunity to bid into some funding from the Department of Culture, Media and Sport. Members would also be briefed on the situation more widely within due course.

- With regard to the increased risk in the rise of homelessness, the Northgate project was stated under mitigation. Were there any risks associated with implementation?
 - Any IT transition created a risk and therefore needed to be carefully managed. The Authority was seeking to: 1) develop the new My Choices app in a test environment so that when transitioning to a live format, the background testing work would have been done, and 2) to help further mitigate this, the old version of My Choices would be run alongside the newer system and could be used, should there be any issues with My Choices.

- Outsourcing service provider failures – what was the timeframe for updating the supplier risk logs?
 - Officers advised that this work had been completed. During the first lockdown, the Contracts and Procurement Team had reviewed all contacts to understand the impact on them. As a new set of restrictions were currently in force, the same process had been undertaken – this had identified some issues with a few contractors and some work would need to be done with them to understand

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their mitigations. The team were working with both the contractors and the services to see how the risks could be mitigated down.

- Council financial position – It was noted that a Task Group had been established to identify further options and opportunities - could the Committee schedule into its Work Programme regular progress updates?
 - Officers advised that this could be done – the wish would be to consult as widely as possible on the outcomes.
- Vulnerability risk – Members stated that County-wide, some of the forums that had been set up to support the vulnerable had been slow in getting off the ground. Had this improved, was it working well and was the Authority now comfortable with risk?
 - Officers were happy with how the mechanisms for supporting vulnerable households were now working, which had improved from when first mobilised. The position was now much better.
- With regard to Safeguarding and emerging assessment frameworks for domestic abuse and other areas, how close were they to being put in place, what assessments were currently being done and when would they be released?
 - Officers did not have this information but would provide it to the Committee in due course.

SK

AGREED:

That the content of the report be noted.

21. GOVERNANCE AND AUDIT COMMITTEE WORK PROGRAMME

Consideration was given to the report of the Executive Manager – Governance (Deputy Monitoring Officer) which set out the Work Programme of the Governance and Audit Committee.

The following items were noted, following discussions during the meeting:

- Outputs from the Savings Task Group would be added to the Work Programme
- Adjustments would be made to the External Audit reports as a result of the accounts closure/signing having to be delayed

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AGREED:

That the report be noted.

22. ANY OTHER ITEMS WHICH THE CHAIRMAN DECIDES ARE URGENT.

It was noted that the Committee were very supportive of the Finance staff, were particularly keen to ensure that the audits were on track, and that there were concerns with the increased external audit fee.

(The meeting ended at 5.37 pm)

(End of minutes)