

Audit and Governance Committee

Monday 30 November 2020

PRESENT:

Councillor Parker-Delaz-Ajete, in the Chair.

Councillors Jordan, Riley (substitute for Councillor Nicholson), Stevens and Tuffin (substitute for Councillor Pete Smith).

Co-opted Representative: Mr Shipperley.

Apologies for absence: Councillors Nicholson and Pete Smith.

Also in attendance: Carolyn Haynes (Financial Controller), Paul Looby (Head of Financial Planning and Reporting), Andrew Loton (Head of Performance and Governance), Paul Dossett (Grant Thornton), Chris Flower (Finance Business Partner), Brenda Davis (Audit Manager), Rob Sowden (Senior Performance Advisor), Rob Hutchings (Head of Devon Audit Partnership), Brenda Davis (Audit Manager), Ken Johnson (Counter Fraud Services Manager) and Helen Rickman (Democratic Advisor).

The meeting started at 3.00 pm and finished at 4.30 pm.

Note: At a future meeting, the committee will consider the accuracy of these draft minutes, so they may be subject to change. Please check the minutes of that meeting to confirm whether these minutes have been amended.

94. **Declarations of Interest**

There were no declarations of interest made by Members in accordance with the code of conduct.

95. **Minutes**

The minutes of 21 September 2020 were approved as an accurate record of the meeting.

96. **Chair's Urgent Business**

There were no items of Chair's Urgent Business.

97. **Statement of Accounts**

Carolyn Haynes (Financial Controller) presented the Statement of Accounts to the Committee. The following key points were highlighted:

- statutory deadlines for the approval process of the Statement of Accounts had been extended due to the impact of Covid 19 on local authorities whereby the deadline for the Council to publish its draft account was 31 August 2020 (and not 31 May 2020), and the deadline for the publication of its final audited accounts was now 30 November 2020 (and not 31 July

- 2020);
- formal audit of the accounts for 2019/20 commenced on 7 September 2020; the 30 working days period in which the Council had to make the draft accounts available for public inspection started on 1 September 2020;
- there was one error in the report which referred to the 'Letter to Management' in appendix b, however this was not brought to committee;
- the Council's outturn position was reported to Cabinet on the 9 June 2020; this showed a small overspend of £0.005m (before any adjustments). Accounting adjustments through the Statement of Accounts had changed the reported outturn as statutory adjustments were required to be applied. The General Fund Balance was largely unchanged.

Under this item Andrew Hardingham (Service Director for Finance) offered his thanks to the team at both Plymouth City Council and Grant Thornton in compiling and auditing the accounts during such a challenging time throughout the pandemic.

It was recommended that the delegation of the Statement of Accounts, should any issues be identified during the GTUK audit (after the date of the committee), to be also in consultation with the Vice Chair – this was agreed by Members.

The Audit & Governance Committee agreed to approve the Statement of Accounts for 2019/20 attached as Appendix A with the understanding that they were currently being audited by Grant Thornton UK. Should any issues be identified during the GTUK audit and after the date of this committee, Members delegated the approval of the Statement of Accounts to the Chair and Vice Chair of the Audit & Governance Committee, in consultation with the Service Director for Finance.

98. **Annual Governance Statement (To Follow)**

Rob Sowden (Senior Performance Advisor) presented the Annual Governance Statement to the Committee. Key points highlighted included:

- the purpose of the Annual Governance Statement was to provide a continuous review of the effectiveness of an organisation's internal control and risk management, in order to give assurance as to their effectiveness and/or to produce a management action plan to address identified weaknesses in either process; the AGS referred to work undertaken for 2019/20;
- the AGS identified the outcome of the review of the effectiveness of Plymouth City Council's governance arrangements, covering internal audit, internal control and risk management systems and also identified key delivery and improvement areas together with details of action being taken to address governance issues related to those areas.

The Audit and Governance Committee agreed to:

- I. note the processes adopted for the production of the 2019/20 Annual

Governance Statement;

2. endorse the adequacy and effectiveness of the system of internal audit;
3. approve the Annual Governance Statement, alongside the Statement of Accounts, prior to signature by the Leader, Chief Executive and Service Director for Finance (S.151 Officer).

99. **Progress Update (To Follow)**

Paul Dosset (Grant Thornton) presented the Progress Update report to the Committee. Key points highlighted included:

- Grant Thornton, the Council's external auditors, were required to conduct the audit remotely due to Covid 19, and whilst progress had been made in several areas it was considered that the current audit was estimated at 50% signed off despite deadlines being elongated; this was a higher level of sign off than other firms were expected to achieve;
- the key areas of audit focus and substantive testing focused upon the following significant risk areas of the financial statements:
 - valuation of property, plant and equipment;
 - valuation of pension liability;
 - accounting treatment for Government Grants;
- Grant Thornton had completed the interim audit work and would continue to work with officers to close down as many areas of the audit as possible in order to sign off the accounts.

The Committee noted the update.

100. **Redmond Review - Independent Review of the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting**

Paul Looby (Head of Financial Planning and Reporting) presented the Redmond Review (Independent Review of the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting) to the Committee. Key points highlighted included:

- as a result of concerns and issues raised within the world of local government, finance and external auditors regarding the external audit and statutory reporting process for the Statement of Accounts, the Government had tasked Sir Tony Redmond to undertake a review of the current arrangements. The review was currently with central Government and a formal response was awaited regarding recommendations contained within the report, and possible amendments;

- one recommendation in the report referred to the requirement for a new regulator to oversee the local audit process – this was broadly welcomed in terms of trying to improve consistency with the audit process, as well as taking ownership of the fees structure. The Council had incurred additional costs of over £77,000 linked to the audit of the 18/19 accounts and officers were in discussion regarding additional fees for the current audit. Whilst it was recognised that fees were increasing due to the demands on the external auditors, this was something that the council had no control over and were required to pay;
- the review recognised the challenge in meeting the reporting deadline for the accounts and recommended additional time to sign off the audit with the July deadline moving to the end of September however the local authority would still be required to work to the May deadline and would be expected to close the accounts within two months;
- the Statement of Accounts was recognised as a big document which was technically challenging due to the rules, regulations and code which needed to be adhered to. The recommendation for a simplified Statement of Accounts was welcomed however this would be an additional statement for officers to complete and would also be required to be completed by the May deadline.

The Committee noted the report.

101. **Treasury Management Strategy 21/22 (To Follow)**

Chris Flower (Finance Business Partner for Capital and Treasury Management) presented the Treasury Management Strategy 21/22 to the Committee. Key points highlighted included:

- the Treasury Management Strategy set out the management of the Council's cash flow, borrowing and investment, as well as the associated risks;
- the report set out the response to the current economic situation and the impact of Covid 19, the effects on the financial crash and the Bank of England dropping interest rates to .1% – the lowest in history. The Council had a large amount of borrowing and the reduction in interest rates had reduced costs; the Council had been advised to reduced investment in high street banks.

The Audit and Governance Committee agreed:

1. that any potential amendments made by officers to the Treasury Management Strategy 2021/22, in light of the results of the PWLP Consultation, is delegated and approved by the Chair and Vice Chair in consultation with the Strategic Director for Finance;
2. To recommend the Treasury Management Strategy 2021/22 (incorporating the authorised limits, operational boundaries and prudential indicators) to

the Council for approval. (This is to comply with the CIPFA Code of Practice and discharge our statutory requirement.)

102. **Capital Financing Strategy 21/22 (To Follow)**

Chris Flower (Finance Business Partner for Capital and Treasury Management) presented the Capital Financing Strategy 21/22 to the Committee. Key points highlighted included:

- that effective financial management was fundamental to the delivery of corporate improvement priorities. Treasury Management activity had a significant impact on the Council's activity both in revenue budget terms and capital investment and was a key factor in facilitating the delivery against a number of corporate priorities;
- the Capital Financing Strategy covers the capital programme; capital budget; governance; capital financing; affordability and risk management.

The Audit and Governance Committee agreed:

1. that any potential amendments made by officers to the Capital Financing Strategy 21/22 is delegated and approved by the Chair and Vice Chair in consultation with the Strategic Director for Finance;
2. to recommend the Capital Financing Strategy 2021/22 to the Council for approval.

103. **Internal Audit Half Year Report (To Follow)**

Rob Hutchings (Head of Devon Audit Partnership) and Brenda Davis (Audit Manager) presented the Internal Audit Half Year Report to the Committee. The following key points were highlighted:

- the Internal Audit plan for 2020/21 was presented and approved by the Audit Committee in July 2020 but Covid-19 had presented considerable operational challenges to the Council which had inevitably introduced some different risks. Officers had worked with management and "flexed" the plan to incorporate new areas of work and recognised that there was less than six months available to complete the IA annual plan. Officers had identified and agreed areas which could be delivered as part of next year's audit plan or, were no longer required in order to provide an annual assurance opinion at the end of 2020/21;
- overall, based on work performed to date during 2020/21, the Head of Internal Audit's Opinion was of "Reasonable Assurance" on the adequacy and effectiveness of the Authority's internal control framework; ratings had been updated to fall in line with CIPFA ratings;
- there were challenges in completing the 2020/21 audit plan in the traditional manner and officers had developed different practices to enable an audit assurance. This included confirmation of key controls, remote testing wherever possible of these controls (so as not to disturb

/ disrupt operational staff) and using data analytics generated from system data.

The Audit and Governance Committee agreed to:

1. review and note the findings within the report;
2. review and note the Head of Audit mid-year assurance opinion;
3. review and approve the in-year changes to the audit plan.

104. **Counter Fraud Half Year Report (To Follow)**

Ken Johnson (Counter Fraud Services Manager) presented the Counter Fraud Half Year Report to the Committee. The following key points were highlighted:

- there had been a general upturn in fraudulent activity during the Covid 19 (C19) crisis. Many frauds which were often referred to as scams had adopted a C19 camouflage in order to play on people's fears and lack of knowledge. Fraud activity had already significantly increased in the years prior to C19, therefore an accurate picture of the direct effects of the current crisis on fraud statistics remained to be seen;
- counter-fraud arrangements were a high priority for the Council and assist in the protection of public funds and accountability. The Cabinet Office ran a national data matching exercise, The National Fraud Initiative (NFI), every two years. The data submission for the latest 2020/21 exercise was underway and DAP were co-ordinating the extracts of relevant Council datasets, as defined by the Cabinet Office;
- there have been 235 allegations of fraud made so far this year resulting in 13 recommended prosecutions and 21 recommendations for cautions and other forms of sanction. Along with various compliance visits a total savings figure of £377,146.22 had been realised.

Key areas of questioning included:

- in relation to the potential increase in phone and internet fraud, how could the Council better publicise current scams and highlight to members of the public what to look out for?

The Audit and Governance Committee agreed to recommend that the Council publicise fraudulent activity schemes to members of the public in order to better inform them.

105. **Risk Management Annual Report (including Risk management Strategy (To Follow)**

Rob Sowden (Senior Performance Advisor) presented the Risk Management Annual Report (including Risk Management Strategy) to the Committee. Key points highlighted included:

- apologies that the Risk Management Annual Report was provided to the

Committee on the day of the meeting; processes would be put in place to prevent that happening again;

- the Annual Report focused upon 2019/20 and included information on how the Council responded in reviewing the Strategic Risk Register, specifically with regards to the impact of Covid 19. The risk register was first revised in May 2020 post the initial outbreak and was further reviewed in October 2020 – two risks has been escalated from the Operational Risk Register to the Strategic Risk Register, namely the risk of the adult social care market and provider failure, and the increased pressure on the adult social care budget due to demand and increased complexity of need;
- the annual report also provided an update on the risk and opportunity management strategy, and included updates on integrated assurance, and the performance management framework;
- the Risk Management Strategy provided a comprehensive framework and process designed to support members and officers in ensuring that the Council was able to discharge its risk management responsibilities fully. The strategy was reviewed annually to ensure it remained current and fit for purpose.

The Audit and Governance Committee agreed:

1. to note the Risk and Opportunity Management Annual Report;
2. to note the Strategic Risk Register Update;
3. approve the Risk and Opportunity Management Strategy 2020/22.

106. **Work Programme**

The Committee noted the work programme.