

Audit and Governance Committee

Monday 22 March 2021

PRESENT:

Councillor Parker-Delaz-Ajete, in the Chair.
Councillor Nicholson, Vice Chair.
Councillors Jordan, P Smith and Stevens.

Co-opted Representatives: Mr Shipperley.

Also in attendance: Geri Daly (Lead Auditor - Grant Thornton), Brendan Arnold (Service Director for Finance), Brenda Davis (Audit Manager), Chris Flower (Finance Business Partner for Capital and Treasury Management), Phil Symons (Category Manager (Governance and System), Councillor Penberthy (Cabinet Member Housing and Co-operative Development), Giles Perritt (Assistant Chief Executive), Craig Moodie (Senior Auditor), Glenda Favor-Ankersen (Head of Electoral Services), Rob Sowden (Senior Performance Advisor), Jamie Sheldon (Senior Governance Advisor) and Helen Rickman (Democratic Advisor).

The meeting started at 3.00 pm and finished at 4.00 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.

107. **Declarations of Interest**

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

108. **Minutes**

The minutes of 30 November 2020 were approved as an accurate record of the meeting.

109. **Chair's Urgent Business**

There were no items of Chair's Urgent Business.

Order of Business

The Chair agreed to change the order of business to facilitate good meeting management.

110. **External Audit Progress Report (To Follow)**

Geri Daly (Lead Auditor - Grant Thornton) presented the External Audit Progress Report to the Committee. Key points highlighted included:

- (a) the original audit plan reported the following areas of focus: valuation of property, plant and equipment, valuation of pension liability, reduction of the

net Pension Liability through the use of Miel Ltd, accounting treatment for Government Grants, and standard risks including management over-ride controls through journals testing and financial instruments;

- (b) there was an addition to the Audit Plan in 19/20 regarding the Miel pension liability transaction – several recommendations had been made to the Audit and Governance Committee throughout the year however it was considered that sufficient progress had not been made against those recommendations. Therefore an additional area of focus was added include a specific review of the governance and due diligence arrangements regarding Miel transactions and the progress made against those recommendations;
- (c) auditors continued to test financial instruments; some amendments would be made to them. Officers were obtaining further information regarding fair values.

The Committee queried the valuations of land and assets, specifically with regards to desktop reviews, and it was clarified that valuations had taken place and various assumptions had been made for desktop reviews. It was highlighted that the valuations in the report focused upon the 2019/20 financial year therefore the impact of the Covid19 pandemic was minimal – there would be more material uncertainty regarding land and assets in 2020/21. There was a focus on asset valuation in recent years however this was considered to be driven by the commercial sector.

Members noted the External Audit Progress Report.

111. **External Audit - 2019/20 Audit Plan - Update (To Follow)**

Geri Daly (Grant Thornton) advised the Committee that the External Audit 2019/20 Audit Plan Update was required to be submitted to the Committee as a change had been made to the plan however this was covered above in minute 110 External Audit Progress Report.

Brendan Arnold (Service Director for Finance) took the opportunity to thank the external audit team for their hard work in undertaking the audit – this was echoed by Members of the Audit Committee.

112. **Internal Audit Plan 2021/22**

Brenda Davis (Audit Manager) presented the Internal Audit Plan 2021/22. Key points highlighted to the Committee included:

- (a) the Public Sector Internal Audit Standards (PSIAS) required the Council to periodically prepare a risk-based plan of Internal Audit activity designed to support an annual opinion on the effectiveness of the systems of governance, risk management and internal control; this was informed by the audit strategy, consultation with stakeholders and a dynamic assessment of risks;
- (b) Internal Audit officers had liaised with senior management to develop the 2021/22 Audit Plan however the plan was flexible in order to incorporate, as appropriate, any new risks which may arise. Any changes to the 2021/22 Audit Plan would be brought back to the Audit and Governance Committee;

- (c) Devon Audit Partnership would continue to investigate instances of potential fraud and irregularities and would also conduct pro-active anti-fraud and corruption testing of systems considered to be most at risk to fraud;
- (d) during the unprecedented COVID 19 crisis the Government provided a package of support mechanisms for individuals and business and the Department for Business, Energy and Industrial Strategy (BEIS) require proportionate 'assurance' that the Governments Grant Funding for schemes has been used to support only those who were legitimately entitled to claim. The DAP Internal Audit and Counter Fraud Team are working collaboratively to provide assurance to the Council.

Key areas of questioning from Members included:

- (e) the auditing process for covid support government grants for businesses – would this form part of the audit plan for 21/22, how much time would be allocated to audit this area of work, what was the nature and the process of the audit?
- (f) would work identify fictitious companies that were set up fraudulently in order to benefit from these grants?
- (g) were officers finding it more difficult to recover proven fraudulent overpayments?

The Committee offered their thanks to Brenda Davis and her team for their hard work in robustly auditing cases of fraud.

Under this item Brendan Arnold (Service Director for Finance) advised Members that the audit activity in relation to grant payments would form part of the audit when the financial year closed in March 2021 – officers had already begun to pull together papers linked to several grants in a user friendly format in order to assist external auditors undertake necessary risk assessments and checks in the future.

Members approved the Internal Audit Plan for 2021/22.

113. **Treasury Management Practices, Principles and Schedules 2021/22**

Chris Flower (Finance Business Partner for Capital and Treasury Management) presented the Treasury Management Practices, Principles and Schedules 2021/22 report. Members were advised that it was a requirement of the CIPFA code to present this report to the Audit & Governance Committee; this was a technical document in terms of the amount of detail included and covered cash-flow, forecasts, cash management, electronic banking, counter parties, dealing limits, anti-money laundering procedures and training qualifications. No revisions had been included in the report.

Members agreed to approve the Treasury Management Practices, Principles and Schedules for 2020/21 as set out in this report to ensure compliance with the CIPFA Code of Practice for Treasury Management.

114. **Purchasing Card**

Phil Symons (Category Manager (Governance and System) and Councillor Penberthy (Cabinet Member Housing and Co-operative Development) presented the Purchasing Card update. Members were advised that the purchasing card policy had been submitted to the Audit and Governance Committee previously however now had been updated to ensure it was robust, specifically with regards to fraud and misuse. The document contained track changes which highlighted the amendments.

Key areas of questioning from Members included:

- (a) whose ultimate responsibility was it for checking purchases made on the card? The line manager who authorised the purchase or the Service Director for Finance?
- (b) what measures were checked in order to ensure the card was not being used fraudulently or misused?

The committee approved the updated Purchasing Card Policy.

115. **Internal Audit Report: Executive Office - Electoral Registration 2020/21**

Giles Perritt (Assistant Chief Executive), Craig Moodie (Senior Auditor) and Glenda Favor-Ankersen (Head of Electoral Services) presented the Internal Audit Report: Executive Office – Electoral Registration 2020/21 report.

Key points highlighted to Members included:

- (a) the report provided a progress update upon the audit of the electoral register following the May 2020 local elections; the new process involved in administering the Reformed Annual Canvass of Electors and redeployment of a number of electoral services team member caused the delay in starting the audit (which commenced in November 2020);
- (b) the Council had benefitted from the advice of Devon Audit Partnership's system approach as well as the Association of Electoral Administrators who focused in more detail at specific registration and electoral preparation issues;
- (c) the review focused around developing a zero tolerance approach to avoidable mistakes linked to data manipulation and the preparation of registers;
- (d) in terms of formal assurance, the review focused upon three specific areas: high levels of governance, the level of transparency demonstrated by the Council and its use of subject area experts;
- (e) a change in risk environment was identified as electronic means were used

to engage with the electorate; this changed the risk as handling paper was different to handling electronic data. The Civica Xpress Electoral Management System also lacked formal control in terms of data handling;

- (f) it was identified that quality was about maintaining and enhancing senior management expectations of operational quality and assurance through the process of providing stakeholders with demonstrable compliance with agreed internal administrative processes and standards – the team would work on that so stakeholders had ongoing levels of assurance.

Members noted the update.

116. **Operational Risk & Opportunity Management Update Report**

Rob Sowden (Senior Performance Advisor) presented the Operation Risk & Opportunity Management Update Report. Key points highlighted to Members included:

- (a) the position with regard to Operational Risk Register monitoring was last reported to the Audit and Governance Committee on 21 September 2020; report provided a summary of the latest monitoring exercise covering the position as at 28 February 2021;
- (b) following the most recent review, the number of operational risks totalled 111, with two red risks, 63 medium risks and 46 green risks. Those identified as red risks were required to be managed down urgently. The first red risk related to the Council's expenditure exceeding the resources available however the budget had now been set by the Council and work could continue during the financial envelope. The second red risk linked to the failure to obtain the Public Service Network compliance from the Cabinet Office however this was being addressed by the Information Governance Manager – a new submission was being prepared.

The committee noted and endorsed the current position with regard to the Operational Risk and Opportunity Management report.

117. **Work Programme - verbal**

Jamie Sheldon (Senior Governance Advisor) advised Members that next year's work programme would contain standing items which were required to be carried forward, however Members were encouraged to contact the Chair or Lead Officer with any other additional items they would like to be considered.

Members noted the work programme.

Under this item Councillor Pete Smith proposed a vote of thanks from the Committee to Councillor Parker-Delaz-Ajete for her hard work in chairing the Audit and Governance Committee, as well as her work with Devon Audit Partnership.

The Chair thanked officers for their support over the year.