

## **Audit and Governance Committee**

**Monday 21 September 2020**

### **PRESENT:**

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

Co-opted Representatives: Mr Shipperley

Also in attendance: Paul Looby (Head of Financial Planning and Reporting), Andrew Loton (Head of Performance and Governance), Linda Torney (Assistant Head of Legal Services), Geri Daly and Paul Dossett (Grant Thornton), Jamie Sheldon (Senior Governance Advisor), Chris Flower (Finance Business Partner), Brenda Davis (Audit Manager), Rob Sowden (Senior Performance Advisor), Clare Cotter (Head of Health, Safety And Wellbeing Assurance), Emma Rose (Strategic Development Manager)

The meeting started at 15:00 and finished at 16:05 .

*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.*

### 82. **Declarations of Interest**

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

### 83. **Minutes**

Agreed the minutes of the meeting held on 27 July 2020.

### 84. **Chair's Urgent Business**

Chair advised that Item 9: Annual Governance Statement and Item 11: Purchasing Card Policy further revisions would be deferred to a later Audit and Governance Committee to allow further time for reports to be provided.

Chair announced the resignation of the independent board member Mr Stewart. The chair advised that she had emailed Mr Stewart to thank him for the many years of service to the committee.

### 85. **Progress report**

Paul Dossett (Grant Thornton) and Geri Daly (Grant Thornton) presented the Progress Report to the Committee –

- have worked with management to understand the implications the response to the Covid-19 pandemic had on the Council's ability to prepare the financial statements and update financial forecasts and assessed the implications for our materiality calculations. No changes had been made to materiality levels previously reported;
- The draft financial statements were provided on 28 August 2020;
- liaised with other audit suppliers, regulators and government departments to co-ordinate practical cross-sector responses to issues as and when they arose;
- Examples included the material uncertainty disclosed by the Council's property valuation expert;
- evaluated the adequacy of the disclosures in the financial statements that arose in light of the Covid-19 pandemic; and engaged the use of auditor experts for asset valuations;
- ensured to obtain sufficient audit evidence through remote technology;
- evaluated management's assumptions that underpin the revised financial forecasts and the impact on management's going concern assessment.

#### Key areas of questioning-

- In relation to valuation of assets and the impact of Covid-19. How are valuations being considered against potential value decreases for commercial property prices because of increased working from home?
- Supplementary question – Will yields on property owned drop below the cost of borrowing (interest rates) to buy the property?

Audit and governance Committee noted the update.

#### 86. **Internal Audit Progress Report 2020/21**

Brenda Davis (Audit Manager) presented the Internal Audit Progress Report 2020/21 to the Committee –

This report provided Members of the Audit and Governance Committee with a position statement on the audit work carried out since April 2020.

Due to impact of Covid-19 it had been necessary for Devon Audit Partnership to review their approach to delivery of audit work in these rapidly changing and difficult times.

Recognise that tying up key staff who were already under immense pressure responding to the new challenges brought by the pandemic would not be welcomed and their approach had been to identify areas within the 2020/21 audit plan where they had remote access to information and were likely to need minimal officer input.

This approach has allowed DAP to start 2020/21 work with minimal client disruption.

DAP also continued to liaise closely with management to identify changes in processes and procedures and new areas of expenditure. This risk-based approach had resulted in some items in the audit plan being replaced with new, higher risk areas to ensure that audit resources remain focussed on the most important areas.

Key areas of questioning:

- asked if they could expand on the Electoral Services review and the outcomes from that;
- It was requested that the outcomes of the Electoral Services review be reported back to the Audit and Governance Committee.

The Audit and Governance Committee noted the findings within the report.

## 87. **Treasury Management update report for Covid and the Financial Markets**

Chris Flower (Finance Business Partner) presented the Treasury Management update report for Covid and the Financial Markets to the Committee –

The report set out a brief update on the effects caused by Covid-19 on the Council's Treasury Management and the Financial Markets.

The UK's exit from the European Union took a back seat during the first quarter of 2020/21 as the global economic impact from coronavirus took centre stage. Part of the measures taken to stop the spread of the pandemic included the government implementing a nationwide lockdown in late March which effectively shut down almost the entire UK economy. These measures continued throughout most of the quarter with only some easing of restrictions at the end of May and into June.

Bank Rate was maintained at 0.1% despite some speculation that the Bank of England's Monetary Policy Committee (MPC) might cut further and some MPC members also suggesting that negative rates are part of the Bank's policy tools. In June the Bank increased the asset purchase scheme by £100 billion, taking the recent round of Quantitative Easing (QE) to £300bn and total QE to £745 billion.

With interest rates falling to their lowest on record there is a real risk that at some point in the future interest rates will rise. The Council has £465m short term borrowing from other local authorities at short term rates (usually 3-6 months) therefore if rates increase the Council will have to pay higher interest charges. The Council has been looking at innovative solutions to mitigate this risk through an interest Rate Swap.

Although the Council's returns from its investment had fallen it had been more than compensated by the savings made on its borrowing costs. The Council would continue to explore further innovative solutions to reduce the Council's exposure to future interest rate rises.

Key areas of questioning:

- Does the term rate swap, in the same way as a fixed term mortgage, mean that the council can budget more easily?

- Due to interest rates being so low at the moment if we repay earlier, will we incur early repayment penalties on our loans?
- Will the banks encourage early repayment?

The Audit and Governance Committee –

1. noted the Treasury Management Update Report for Covid and the Financial Markets;
2. endorsed the approach the council was taking to reduce its exposure to future interest rate increases

88. **Annual Governance Statement**

This item was withdrawn from the agenda and would be considered at a future meeting.

89. **Operational Risk Monitoring update**

Robert Sowden (Senior Performance Advisor) presented the Operational Risk Monitoring update to the Committee-

To support the delivery of the City's vision and to enable the provision of high quality services to the citizens and communities of Plymouth it was imperative that effective risk management arrangements are in place. A fundamental element of Corporate Governance, a risk managed approach to decision making would enable the council to achieve its objectives and deliver services more efficiently and cost effectively.

The management of risk principles and processes equally apply at operational level, supporting improved performance, integration with corporate planning, projects, change programmes and partnerships.

This report now outlined the continuing progress being made across Services in delivering Operational Risk and Opportunity Registers in line with the Council's shared vision and priorities.

The total number of operational risks now reported had increased from 112 to 114, comprising of three high (red) risks, 65 medium (amber) risks and 46 low (green) risks.

The Audit and Governance Committee noted and endorsed the current position with regard to operational risk and opportunity management

90. **Purchasing Card Policy further revisions**

This item was withdrawn from the agenda and would be considered at a future meeting.

91. **The Local Government and Social Care Ombudsman Annual Review 2019/20**

Emma Rose (Strategic Development Manager) presented The Local Government and Social Care Ombudsman Annual Review 2019/20 to the Committee -

Shared analysis of the data reported in the Local Government and Social Care Ombudsman Annual Review Letter 2019/20 and recommendations, as a result of lessons learned that will improve the customer experience, for approval.

Key areas of questioning:

- Does the service monitor positive feedback as well as complaints?

The Audit and Governance Committee approved the recommendations in the report:

1. Continue to improve performance against Service Standards
2. Provide guidance and training for staff undertaking investigations within the Statutory Complaints Process
3. Continue to improve the reporting capability for the Statutory Complaints Process
4. Improve processing of remedial action as notified by the LGSCO.

## 92. **Health and Safety Annual Report**

Clare Cotter (Head of Health, Safety and Wellbeing Assurance) presented the Health and Safety Annual Report.

The health, safety and wellbeing annual report for 2019-20 was presented to the audit and governance committee as an important aspect of the health, safety and wellbeing governance arrangements for the Council. The report identified the actions that have been taken in 2019-20 to improve our management arrangements for health, safety and wellbeing and what are planned for 2020-21 in the spirit of continuous improvement. As part of this it includes insights into the incidents and accidents which have occurred compared to previous years.

Key areas of questioning:

- Is training still happening but now happening on-line?
- How do we encourage staff to get the flu jab so that more staff are treated against flu?
- Will working from home reduce the number of people taking up the offer of a flu jab?

The Audit and Governance committee noted the contents of this report.

## 93. **Work Programme**

The Audit and Governance Committee noted the Work Programme.

