

AUDIT AND GOVERNANCE COMMITTEE

THURSDAY, 21 OCTOBER 2021

PRESENT: Councillors Lynne Jones (Vice-Chair, in the Chair), Gurpreet Bhangra, Simon Bond and John Bowden

Also in attendance: Councillor David Hilton, Councillor Samantha Rayner, Councillor Mandy Brar and Councillor David Cannon. Also attending were Jonathan Gooding and Benjamin Sheriff, Deloitte.

Officers: Shilpa Manek, Catherine Hickman, Steve Mappley, Adele Taylor and Andrew Vallance

APOLOGIES FOR ABSENCE

Apologies for absence had been received from Councillors Bateson and Sharpe. Councillor Bowden was substituting.

DECLARATIONS OF INTEREST

No declaration of interest were received.

MINUTES

RESOLVED UNANIMOUSLY: that the minutes of the meeting held on 29 July 2021 were a true and accurate record.

This was proposed by Councillor Bhangra and seconded by Councillor Jones.

STATEMENT OF ACCOUNTS 2019/20 AND 2020/21 UPDATE

The Committee received a verbal update from Jonathan Gooding, Deloitte. Jonathan Gooding reported that the 2019-2020 accounts were still not ready as they were still dealing with the outstanding objections from members of the public. The auditors had communicated their views on the objections. The auditors had been in conversations with officers of what documents could and could not be shared with the objectors. This had now been resolved and all relevant documents had been shared with the objectors and the auditors were now awaiting any further comments. After this last stage, the accounts could be finalised.

As for the 2020-2021 accounts audit, this was progressing and a large part had been completed. There was still a lot to be done, especially since potential objections had been received which were in the process of being reviewed.

Councillor Bond asked how there could be objections for the 20/21 accounts when they had not yet been completed and Jonathan Gooding informed the Committee that these had been potential objections on the draft accounts that had been published by the authority in the summer.

Councillor Bond asked if it would be possible for the Committee to see letters to objectors and Jonathan Gooding needed to confirm that this was possible.

ACTION: Jonathan Gooding to confirm.

Councillor Bond asked about the timeframe for the 2019/20 accounts and Jonathan Gooding informed the Committee that they were working towards signoff before Christmas subject to any further issues.

Adele Taylor, Executive Director of Resources, informed the Committee that the external auditors had been working very closely with the officers, who had been providing any information as quickly as they could.

Councillor Bowden asked about the objectors of the 2019/20 accounts and asked what they were objecting about for 2020/21 and if it was the same objectors and the Committee were informed that it was confirmed that some objections were from the same objector as last year.

Councillor Bowden asked if there were cost implications for the auditors and legal advice and it was confirmed that there were cost implications from external auditors which could be quantified. Adele Taylor added that the objectors had the right of anonymity and the right to raise objections. There would be additional cost to the authority for legal advice and officer time in addition to the external audit fees

Councillor Jones asked if the process could be explained of when an objection was received. Jonathan Gooding informed the Committee that a process was followed and that members of the public could ask questions and/or object, for example , on the weakness of the governance procedure. There were certain criteria that was followed and there was guidance on how to deal with questions and objections. There was an opportunity for members of public to raise questions and objections after each stage and within two weeks.

Councillor Jones thanked Jonathan Gooding and Benjamin Sheriff for attending.

KEY RISK REPORT

The report was presented to the Committee by Steve Mappley, Insurance and Risk Manager. Steve Mappley asked the Committee if they required any further information.

Councillor Jones asked about point 6, if all members were sufficiently aware of the risks. Councillor Jones asked if the risks needed to be highlighted to all members. Steve Mappley agreed that it would be a benefit for all members to have sight of the risks but training would also need to be given. Adele Taylor informed the Committee that the Cabinet and shadow Cabinet members, all had discussions about the risks during briefing sessions as well as operational risks and they should be feeding back to other members after their briefings. There was also the annual governance statement and the annual review of risks. This was a public report.

Councillor Jones commented that it was a densely worded report and difficult to read and understand, could something easier to read such as a report summary be produced?

Councillor Hilton commented that the budget management reports to cabinet included all risks and the cost of the risks if they were to happen.

RESOLVED UNANIMOUSLY: that the Committee noted the report.

INTERNAL AUDIT 2021/22 PROGRESS REPORT

The internal audit 2021/22 progress report was presented by Catherine Hickman, Lead Specialist, Audit and Investigation.

Councillor Jones commented that she had noted that all the Achieving for Children audit opinions had been rated as two, was this the trend or were they generally ok. Catherine Hickman commented that for the audits undertaken in this area in the period all had fallen into category two opinion, which is the second highest category of audit opinion.

Councillor Jones commented that it was only key risks that had been looked at, how had these been identified? Catherine Hickman informed the Committee that they aligned the audit plan to the corporate risk register, where possible.

Councillor Bowden referred to paragraph 4.3 on page 23 and asked if there were any properties claiming empty property relief and was informed that the results of a recent proactive empty property relief exercise were currently being collated. Adele Taylor commented that if internal audit identified any then that would be actioned by the council tax team and the necessary actions would take place.

RESOLVED UNANIMOUSLY: that the Committee noted the Shared Audit and Investigation Service activity for the six months ending 30 September 2021.

INTERNAL AUDIT SERVICE - NEW ARRANGEMENTS

Andrew Vallance, Head of Finance, presented the report to the Committee.

Councillor Bond commented that Catherine Hickman and her team had been doing an outstanding job with such limited resources. Councillor Bond raised three points which concerned him. These were as follows:

- Para 2.6, using the competitive tendering process felt like an artificial loop as it prevented the authority going through a proper tendering process.
- It was certain councils that had started the organisation and put in the capital and then they were asking others to join but not giving capital towards it.
- Since it was not in the public sector, the contract had not been seen. Should the Committee know of anything in particular that was in the contract?

Andrew Vallance reassured the Committee that he had known of the organisation for many years and had personally gone through the contract with the legal team. Andrew Vallance informed the Committee that it was not a contract, it was an agreement, which was different to a contract. SWAP were an effective body that was highly regarded and seen as cutting edge. If they were successful and endorsed by Cabinet, they would be invited to the February Committee meeting.

Adele Taylor added that resourcing was a concern in the current arrangements and it had been difficult to fill all the roles. SWAP had the breadth of skills with specialist areas of work. Other arrangements had been considered but this was the most appropriate.

Councillor Bowden asked about hierarchy and who got what level of interaction. Was RBWM a small or large organisation? Were there any risks and was it politically biased? He also asked about the impact if any authority was subject to a S114. Andrew Vallance informed the Committee that hierarchy was not a concern, there was an owners board that met twice a year and the Chair of this Committee would attend and vote. It was non-political. RBWM was similar to East Riding, there were six larger authorities and we were larger than the district councils and police. We were six or seven out of twenty-five. Adele Taylor added that internal audit were politically neutral. If any of the authorities were heading to a section 114, internal and external audit would always come in to support the relevant authorities and there would be no impact on any other authority.

Councillor Jones commented that it was a great idea that if the recommendation was agreed by Cabinet, that they be asked attend the February meeting. Councillor Jones commended the officers for such a detailed report with great analysis of pros and cons. Councillor Jones asked if mitigations had been put in place for the concerns? Andrew Vallance reassured the Committee that a dedicated team would be in place serving RBWM with six people including a team lead. Andrew Vallance commented that no authority had ever left SWAP as yet, although some changes to organisations had happened through local government reorganisation.

RESOLVED UNANIMOUSLY: that the Committee noted the report and recommended to Cabinet that the Council became a member of South West Audit Partnership for the delivery of internal audit services from 1st April 2022.

MID-YEAR TREASURY MANAGEMENT UPDATE 2021/22

Andrew Vallance presented the report to the Committee and went through the highlights. Andrew Vallance commented that short term borrowing was unlikely to continue, and it was better to move some funds to one year plus loans at a rate of about 0.5%. This was an ongoing process and £20 million would be moved to short to medium term and then this would be kept under review with support from our external advisors.

Councillor Bond commented that the ArlingClose Report was out of date. Andrew Vallance informed the Committee that things had been moving so fast and the interest rates had been changing and also the pay and inflation rates had been increasing that it was difficult for some of the advice to be printed and still remain relevant. Andrew Vallance commented that the treasury strategy would need to be updated prior to final sign-off with the budget with the latest economic information at that point in time.

RESOLVED UNANIMOUSLY: that the Committee noted and approved the mid-year Treasury Management Mid-Year Review Report 2021/22

DRAFT TREASURY MANAGEMENT STRATEGY 2022/23

Andrew Vallance presented the report to the Committee and informed the Committee that, similar to this year, the funds would be moved to longer term borrowing as appropriate and with advice from our external advisors.

Councillor Bowden asked what the impact was of the power crisis on the contracts and Andrew Vallance informed the Committee that inflation had been included in the budget and budget report and a lot of work continued to be done to assess impact.

Councillor Jones asked what the process was on the long to short term borrowing and Andrew Vallance explained that advice was taken from our advisors.

Adele Taylor explained to the Committee that the strategy was the parameters that the authority had to work within. It depended on the cashflow and borrowing requirements. There was a technical expert on the team that only concentrated on this. The advice would and could change rapidly depending on the market.

Councillor Jones asked if the authority had gone over the £5 million a year borrowing mark to fund new capital expenditure and it was confirmed that such borrowing would not go over the £5 million. Changes to borrowing levels were due to cashflow issues, such as repaying unspent Covid-19 business grants to the Government.

Councillor Hilton explained that the authority looked after the funds that LEP held as part of its cashflow and the authority would only borrow if they needed to.

Councillor Bond commented that it was a great idea to move short term to longer term borrowing.

Councillor Hilton confirmed that the moving of funds would be staggered and managed very closely.

RESOLVED UNANIMOUSLY: that the Committee noted and commented on The Council's draft Treasury Management Strategy for 2022/23 as set out in section 4 of this report and the Council's draft Prudential Indicators set out in Appendix B.

DRAFT CAPITAL STRATEGY 2022/23 - 2026/27

Andrew Vallance presented the report to the Committee and informed them that the report would be amended if cabinet or Council changed anything in terms of the detail of the capital programme.

Councillor Hilton commented that in the last three years there had not been much mention of the capital strategy but now it had been developed, it had given direction and it was a very easy to read report.

Councillor Jones commented that this was a very good report. It was dovetailed to the corporate plan that had already been discussed at Corporate O & S Panel. Councillor Jones understood that it would be amended if any changes were made by Cabinet.

Councillor Bhangra commented that there were many acronyms in the report and therefore it would be good to have an index for all to be clear.

ACTION: Add index to report

RESOLVED UNANIMOUSLY: that the Committee notes the report and comments on the draft Capital Strategy set out in Appendix A.

WORK PROGRAMME

Councillor Jones asked for a review of process with respect to the Code of Conduct, and the length of time they take.

Adele Taylor suggested that if the decision to join SWAP was agreed by Cabinet, they could be invited to the February meeting to bring forward what and how they were to do things and what the Committee expected. This would be decided after the November Cabinet meeting.

RESOLVED UNANIMOUSLY: that these were both good suggestions to add to the work programme.

The meeting, which began at 7.00 pm, finished at 8.20 pm

CHAIRMAN.....

DATE.....