

# Minutes

## Governance and Audit Scrutiny Committee 21<sup>st</sup> April 2022 at 7.15pm



### Present

Councillors	Present	Councillors	Present
P Euesden	Yes	T Walsh	Apologies
D Hume	Apologies	Mrs L Walters	No
H Johnson (Vice-Chairman)	Yes	D White	No
D Mann	Yes	J Wrench (Chairman)	Yes
Miss V Santomauro	No		

### **In attendance:**

Kim Cole	Head of Governance
Jessica Mann	Governance and Members Officer
Angela Mitchell	Audit, Insurance and Fraud Manager
Phil Myers	Head of Finance

Steve Bladen	BDO
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### 1 **DECLARATIONS OF INTEREST**

**INFORMATION:** There were no interests declared.

### 2 **MINUTES**

**INFORMATION:** The Minutes of the meeting of the Governance and Audit Scrutiny Committee on 13<sup>th</sup> January 2022 were approved as a correct record and signed by the Chairman.

### 3 **PUBLIC QUESTION TIME**

**INFORMATION:** There were no questions asked, or statements made.

### 4 **EXTERNAL AUDIT UPDATE – VERBAL UPDATE TO BE RECEIVED FROM BDO**

**INFORMATION:** The Chairman welcomed Steve Bladen, representative from BDO, to the meeting. Mr Bladen was in attendance in order to provide Members with a verbal update on the progress of both the 2019/20 and 2020/21 audits.

With regard to the 2019/20 audit, Members were reminded that an audit completion report was presented to the Governance and Audit Scrutiny Committee at its meeting in October 2021 which set out BDO's findings from the audit, the audit of which was reported to be

substantially complete. Although the status of the audit had not changed, following the October meeting, an issue had arisen nationally in relation to infrastructure assets. As a result of this, CIPFA had established a Task and Finish Group to determine whether there was any action that they could undertake to help overcome the issue around infrastructure assets. One such option was around the code provisions for infrastructure assets and whether this should be removed so that they did not apply to audits for a period of time. Until the aforementioned work had been completed, it was unlikely that Councils with significant infrastructure assets would receive an audit opinion because of the associated risks to auditors. In respect of the audit for Braintree District Council (the Council), BDO were unable to issue an audit opinion until a separate piece of work had been undertaken in order to assess the level of risk posed by any additional infrastructure assets that could potentially replace existing assets. It was expected that this piece of work would be undertaken over the next few weeks in order to ensure that an audit opinion could be issued in either May or June 2022, without the need to rely on the outcome of the CIPFA Task and Finish Group at an even later date.

The issue regarding infrastructure assets had also impacted on the work associated with the 2020/21 audit. Although the audit work was progressing, with 85% having been completed, a report was not available as of the date of the meeting; instead, it was hoped that a report from BDO would be presented to Members at the Committee's next meeting in July. It was added that no significant issues had emerged in relation to the audit work which had been completed thus far.

There followed a brief discussion in relation to the update, during which Members raised a few points for clarification. Further to the discussion, the Chairman extended his gratitude to Mr Bladen for the update and hoped that the audit completion report would be available at the next scheduled meeting of the Committee in July.

## 5 **KEY FINANCIAL INDICATORS AS AT 28<sup>TH</sup> FEBRUARY 2022**

**INFORMATION:** Members gave consideration to a report which provided them with a suite of the Key Financial Indicators as at 28<sup>th</sup> February 2022. Mr Phil Myers, Head of Finance, was invited to present the report.

With regard to the General Fund, the revenue budget for the year was £15.4million. The net expenditure recorded as at 28<sup>th</sup> February was £8.7million, which represented a positive variance of £980,000. The main reason for the variance was higher levels of income, a major proportion of which was a result of significant increases in market prices paid for recycling material collected from households.

It was reported that the Council continued to provide assessments of the financial impact of Covid to the Government on a monthly basis. The latest return was submitted on 4<sup>th</sup> March 2022 and it was estimated that for the period up to the end of February, the Council had incurred additional expenditure of £554,000, and despite the positive variance associated with the revenue budget, the Council had suffered a reduction in fees and charges and other commercial income of £798,000. The Council had obtained financial support from a number of sources towards the impact, which included: the National Leisure Recovery Fund, received in 2020/21, part of which was carried over into 2021/22; Government funding of £686,000 provided as part of the Local Government Finance Settlement for 2021/22; and £177,000 of Contain Outbreak funding, which was a ringfenced grant. Furthermore, the Council had also made provision for an anticipated reduction in investment income in 2021/22 for which a transfer from the Treasury Management reserve was agreed.

In respect of salaries, the total budget for the year was £19.6million, with expenditure for the year to the end of February at £17.6million. A positive variance of £120,000 was reported after allowing for £275,000 of the Efficiency Factor. The main reasons for the variance were attributed to vacant posts, organisational changes and other efficiency savings. On the subject of commercial rents, these were £3.5million against a profiled budget of £3.4million. Rent income was to be adjusted at the end of the financial year in order to reflect quarterly prepayments; the latest projection for the year was therefore £65,000 above the budget of £2.9million.

With regard to the updated capital programme for the year, the actual expenditure incurred to the end of February was £25.8million which was in relation to major projects such as the Manor Street Development and Enterprise Centre at Horizon 120. In terms of capital receipts, the amount accrued to the end of February was £18.9million; it was highlighted that the actual value and timing of receipts could vary as they were subject to interest from prospective buyers, commercial arrangements and, in some cases, contracts were exchanged subject to receipt of satisfactory planning consents.

The total Council Tax collectable debit for the year was £102.6million, with the total collection rate reported to be £97.9million (95.4%) as at the end of February. It was noted that whilst the collection rate at the end of the period was lower than that achieved in the previous year, performance in this area was higher than the Essex average of 93.6%. The total Business Rates collectable debit for the year was £39.7million, with the collection rate as at the end of February at £38million. The amount collectable was reduced from that in pre-pandemic years due to the continuation of Covid related reliefs provided by the Government.

On the subject of write-offs, a total of 859 in relation to Council Tax and a total of 36 in relation to Business Rates had been authorised in the year to the end of February. The amount of sundry debts owed to the Council was £2.6million, with a large portion of this attributed to Housing Benefit overpayments. It was added that a review of historical debts had resulted in an increase in the number and total value of write-offs in the year, and which was being met from provisions set aside.

It was reported that the proportion of supplier payments made within 30 days was 96.4%. The target for this area of activity was currently being reviewed in order to take into account changes in services and working practices that had occurred in recent years. The rate of return achieved on short-term investments in the year to-date remained close to zero, due to the ultra-low interest rates that had prevailed for most of the year; however, with the increases in the Bank of England Base Rate, there had been some recent upturn in short-term rates.

Lastly, the amount invested in pooled funds had been maintained at a total of £19million. Although market prices fell in the wake of the Russia/Ukraine conflict, the total value of funds was £21.4million as at the end of February, which represented an overall unrealised gain of £2.4million.

**DECISION:** Members accepted the report of the Key Financial Indicators as at 28<sup>th</sup> February 2022.

**REASON FOR DECISION:** To receive a suite of the Key Financial Indicators of the Council on performance in the current financial year to 28<sup>th</sup> February 2022 and to evidence that the Council adopts good practice in actively monitoring its financial performance and actively manages issues as and when they may arise.

## **PROGRESS AGAINST INTERNAL AUDIT PLAN 2021/22**

**INFORMATION:** Ms Angela Mitchell, Audit, Insurance and Fraud Manager, was invited to present the report which provided the Committee with an update on the Council's internal audit activity, the progress and performance against planned work and any other matters which effected the provision of the Internal Audit Service. The report also provided an update on the progress of the External Quality Assessment Action Plan and the outcome of the Internal Audit self-assessment against the Local Government Application Note.

Members were made aware of a number of updates to the report which related to the status of the audit work listed under the Internal Audit Plan for 2021/22, as follows:-

- Item 3 – “The Managers Self Service review” was reported to be “substantially in progress;”
- Item 12 – “The North Essex Economic Board Partnership” was now “substantially complete;”
- Item 28 – “Business Resilience” had previously been deferred but was now “in progress,” and;
- Item 34 – “IT Inventory” was also “substantially complete.”

In respect of the Regulation of Investigatory Powers Act (RIPA) and Investigatory Powers Act (IPA), it was confirmed that there had been no such applications made in 2021/22 to the current date.

**DECISION:** Members noted the progress and performance against the 2021/22 Internal Audit Plan.

**REASON FOR DECISION:** The Public Sector Internal Audit Standards (PSIAS) requires the Internal Audit activity to report functionally to the Governance and Audit Scrutiny Committee, being the committee charged with independent assurance on the adequacy of the risk management framework and the associated internal control environment.

## **INTERNAL AUDIT CHARTER 2022/23**

**INFORMATION:** Members considered a report on the Internal Audit Charter which set out the purpose, authority and responsibility of the Council's Internal Audit function. Ms Angela Mitchell, Audit, Insurance and Fraud Manager was invited to present the report.

The Public Sector Internal Audit Standards (PSIAS) came into effect on 1<sup>st</sup> April 2013 and were revised in March 2017, the standards of which formed the proper practices for Internal Audit required by the Accounts and Audit Regulations 2015. The Charter was required to be reviewed periodically and presented to the Governance and Audit Scrutiny Committee for approval.

Members were advised of a number of updates that had been made to the Charter since the last occasion that it was presented to the Committee, which were as follows:-

- Change of role holding the position of S151 Officer;
- Updates relating to non-audit operational activity undertaken by audit staff, and;
- Other minor typographical amendments.

**DECISION:** The updated Internal Audit Charter was approved.

**REASON FOR DECISION:** To ensure that there is an Internal Audit Charter which complies with the Public Service Internal Audit Standards.

## 8 **FRAUD UPDATE**

**INFORMATION:** Members were presented with a report which provided an overview of the fraud which effected Local Authorities and the work undertaken by staff in the Audit, Insurance and Fraud, and Revenues and Benefits teams, respectively. Ms Angela Mitchell, Audit, Insurance and Fraud Manager, was invited to provide the report.

With regard to mitigating the risk of undetected fraud in Business Grant applications, Members were advised that since the publication of the report, it had been established that although LoCTA was used as a search hub by the Council, this was not for the purposes of business grants.

In respect of corporate fraud training, it was highlighted that the Council would be rolling out a new E-Learning System for staff which included a range of modules related to fraud, such as money laundering.

Lastly, Members were informed that the Council's Anti-Money Laundering Policy (the Policy) had been updated to reflect the appointment of Mr Phil Myers, Head of Finance, as the new Money Laundering Reporting Officer. It was added that staff in the Council's Finance and Asset Management teams had also been consulted on the content and scope of the Policy.

**DECISION:** Members agreed to:-

- 1) Note the report, and;
- 2) Approve the revised Anti Money Laundering Policy.

**REASON FOR DECISION:** The Governance and Audit Scrutiny Committee functions include monitoring the Council's counter fraud and corruption arrangements. The Public Sector Internal Audit Standards (PSIAS) require the '*Chief Audit Executive*' (the Audit, Insurance and Fraud Manager) to periodically report significant risks and controls, including fraud risks.

The meeting commenced at 7.15pm and closed at 8.12pm.

Councillor J Wrench  
(Chairman)