

# Minutes

## Governance and Audit Scrutiny Committee 22<sup>nd</sup> July 2021 at 7.15pm



### Present

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

### **In attendance:**

Kim Cole	Head of Governance and Monitoring Officer
Dominic Collins	Corporate Director
Chris Fleetham	Corporate Director
Corinne Foster	Governance and Members Officer
Jessica Mann	Governance and Members Officer
Angie Mitchell	Audit, Insurance and Fraud Manager
Phil Myers	Financial Services Manager
Trevor Wilson	Head of Finance
Steve Bladen	BDO (External Auditors)

### 1 **DECLARATIONS OF INTEREST**

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

### 2 **MINUTES**

**INFORMATION:** The Minutes from the previous meetings of the Governance and Audit Scrutiny Committee (formerly the Corporate Governance Group) held on 3<sup>rd</sup> March 2021 and 1<sup>st</sup> April 2021 were approved as correct records and signed by the Chairman.

### 3 **PUBLIC QUESTION TIME**

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

### 4 **MANOR STREET AUDIT PROGRESS REPORT**

**INFORMATION:** Members were reminded that for this item there was a Confidential Appendix, and that if any Member wished to refer to the private information contained within the Confidential Appendix it would be necessary for the meeting to be moved into

Private Session for reasons set out in Paragraph 3 of Part 1 of Schedule 12(A) of the Local Government Act 1972.

**DECISION:** It was RESOLVED that that meeting would move into private session in accordance with S100(A)(4) of the Local Government Act 1972 as it was necessary to exclude the public and press from the meeting on the grounds that it would involve the disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12(A) of the Act.

The meeting moved into private session at 7.23pm and remained in private session until 8.12pm. During Private Session, the YouTube broadcast was suspended, the public and press were excluded from the meeting.

At the end private session, the Chairman resumed the meeting in public session and recommenced the YouTube broadcast. The Chairman thanked those viewing the webcast for their patience whilst the meeting was held in private session

**DECISION:** The Committee noted the report and resolved that the confidential appendix to the public report would remain exempt from public disclosure in accordance with Paragraph 3 of Part 1 of Schedule 12(A) of the Local Government Act 1972.

**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.

## 5 **KEY FINANCIAL INDICATORS – 31<sup>st</sup> MAY 2021**

**INFORMATION:** Members considered a report on Key Financial Indicators which provided information on performance for the financial year to 31<sup>st</sup> May 2021.

The net General Fund revenue budget for the year was £15.432m. There was a small negative variance of £13,000 when compared with what had been anticipated for the position as at 31<sup>st</sup> May 2021. This slight overspend was related to the ongoing Covid-19 Pandemic.

Members were informed that the Council continued to send assessments about the financial impact of Covid to the Government on a monthly basis. The latest return was submitted on 25<sup>th</sup> June 2021 and showed an estimated impact for the year of £0.761m additional expenditure and reduced income of £0.958m. The Council continued to receive financial support from Government, with £0.686m of Emergency funding for the year and £177,000 of Contain Outbreak funding. An application will be submitted for the Council to receive compensation for reductions in sales, fees and charges income during the first three months of the financial year on certain services.

Expenditure on salaries at the end of May was lower than profiled by £75,000, after allowing for £50,000 of the Efficiency Factor (£300,000 for the year). Commercial and industrial properties was £10,000 higher than anticipated at the end of May. The property portfolio consisted of 218 leases with all properties occupied as at 31<sup>st</sup> May 2021.

Expenditure on capital projects to the end of May was £2.23m against the updated Capital Programme of £37.714m, which included estimated expenditure on: Manor Street Development of £13.047m; Enterprise Centre at Horizon 120 of £11.054m; Horizon 120 of

£4.25m; I-Construct of £1.506m; and pedestrianisation of Braintree town centre of £0.746m. The main schemes on which expenditure was incurred are: Manor Street Development (£0.52m), Horizon 120 (£1.09m) and I-Construct (£0.222m).

Members were informed that the total Council Tax collectable debit for the year was £101.65m. The collection rate as at the end of May was 20.56% (£20.9m collected), which compared to a rate of 20.2% for the same period last year.

The total Business Rates collectable debit for the year was £29.98m. The collection rate as at the end of May was 19.41% (£5.82m collected), which compares to a rate of 16.61% for the same period last year. The amount collectable was lower than in pre-pandemic years due to the continuation of the Government's Expanded Retail and Nursery rate relief schemes. The 100% reliefs were for April to June only, after which the discount reduced to 66% for the remainder of the year.

Members were also provided with an update on the amount of Council Tax and Business Rate debt written-off and on the treasury management activities for the period ended 31 May 2021.

Following the conclusion of the report and further to a request from the Chairman, it was agreed that details around capital receipts should be included within future reports of the Key Financial Indicators.

**DECISION:** Members agreed to accept the report of the Key Financial Indicators as at 31<sup>st</sup> May 2021.

**REASON FOR DECISION:** To provide evidence that the Council adopts good practice in actively monitoring its financial performance and actively manages issues that may arise.

## 6 **INTERNAL AUDIT UPDATE INCLUDING PROGRESS AGAINST AUDIT PLAN 2020 2021 AND 2012 2022**

**INFORMATION:** Consideration was given to a report which provided Members with an update on progress and performance against the planned work covering the Internal Audit plans. The report also provided an update on the progress of the External Quality Assessment Action Plan and the outcome of the Internal Audit Service assessment against the Local Government Application Note reflecting the Public Sector Internal Audit Standards. The report provided an update on the Regulation of Investigatory Powers Act (RIPA) and Investigatory Powers Act (IPA) applications made by Braintree District Council.

For the benefit of newly appointed Committee Members, Officers agreed to forward Members details in relation to RIPA and IPA requirements.

Progress against the Internal Audit Plan 2020/21 showed that there were nine audits with a significant assurances outcome, three with a limited assurances outcome and three with a full assurances outcome. It was confirmed that audit outcomes were not formally benchmarked against other Authorities, they reflect the findings at the time of the fieldwork and subsequent implementation of recommendations improve the position.

The Chairman recognised that progress had been made with the implementation of actions arising from the External Quality Assessment and offered his congratulations to the team for having completed 21 out of the 22 recommendations.

It was appreciated by Members that the audit plan was continuously being reviewed. For recommendations where the agreed completion date had elapsed, Management Board would help to drive these through. Some recommendations had been delayed due to the impacts of the Covid-19 pandemic, which had led to other services being prioritised across the Council.

**DECISION:** Members noted the progress and performance against the Internal Audit Plans 2020/21 and 2021/22.

**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.

The report provided an update on Internal Audit activity, and progress and performance against the approved Internal Audit Plan in accordance with the Governance and Audit Scrutiny Committee role and the requirements of the PSIAS.

## 7 **INTERNAL AUDIT ANNUAL REPORT 2020/21**

**INFORMATION:** Members gave consideration to a report that provided an opinion of the overall adequacy and effectiveness of the organisation's control framework of governance, risk management and control during the year.

The overall opinion was that the systems of our internal governance and risk management were generally adequate with some improvements required.

There were some positive results with 20 audit reviews conducted in 2020/21 that resulted in a "Full or Substantial" assurance opinion. There were some recent spot checks, in relation to the Drivers Vehicle Standards Agency, with some very positive results.

In regard to outstanding actions, it was reported that Management Board had agreed to receive regular reports on the implementation of the agreed actions in order to help ensure that these were achieved.

**DECISION:** Members accepted the Internal Audit Annual Report for 2020/21.

**REASON FOR DECISION:** To accept the Internal Audit Annual Report for 2020/21 in support of the Annual Governance Statement.

## 8 **DRAFT INTERNAL AUDIT PLAN 2021 22**

**INFORMATION:** Prior to the consideration of the report, Members were made aware of an error in the title of the report in the Agenda. It was confirmed that the date of the Draft Audit Plan should read "2021/22" in order to reflect the current year.

Members then gave consideration to the Internal Audit Plan which had built on the previous year's work, was based on the corporate risks faced by the Council, and was linked to the Council's corporate priorities.

The purpose of the plan was to produce enough coverage of the Council's internal control

risk management and governance arrangements to enable the Audit, Insurance and Fraud Manager to give their opinion at the end of the year.

**DECISION:** Members endorsed the Internal Audit Annual Report for 2020/21.

**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.

Members were requested to endorse the draft 2021/22 Internal Audit Plan which had been prepared in accordance with the Accounts and Audit Regulations 2015 (Section 5), requiring an effective internal audit of risk management, control and governance processes taking into account the Public Sector Internal Audit Standards and guidance.

## 9 **INTERNAL AUDIT CHARTER 2021 22**

**INFORMATION:** Members considered the Internal Audit Charter which set out the purpose, authority and responsibility of the Council's Internal Audit function including evaluating and improving the effectiveness of governance, risk management and control processes.

The PSIAS required there to be an External Quality Assessment (EQA) conducted at least once in every five years, which may be a full external assessment or a self-assessment with validation by a qualified independent assessor. The results of this assessment were to be communicated to Senior Management and the Governance and Audit Scrutiny Committee. The last assessment was undertaken in December 2017 (see report to the Governance Committee in April 2018). The next EQA will be commissioned in 2022/23.

**DECISION:** Members approved the updated Internal Audit Charter.

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

## 10 **OUTCOME OF THE HOUSING BENEFIT SUBSIDY 2019 20 CERTIFICATION WORK**

**INFORMATION:** The Certification Letter and Report on the Council's Housing Benefit Subsidy claim for 2019/20 was received by the Members. The report summarised the results of the work carried out by BDO LLP (the Council's external auditors) and contained the consequential changes required to the final Housing Benefit Subsidy Claim for 2019/20.

Members were assured that going forward, steps would be taken to ensure that the errors identified by BDO LLP would not be repeated in the future.

**DECISION:** Members received and noted the Certification Letter and Report on the Council's Housing Benefit Subsidy claim for 2019/20 that was sent to the Department for Work and Pensions by the Council's external auditors, BDO LLP.

**REASON FOR DECISION:** The report summarises the results of the work carried out by BDO LLP and contains the consequential changes required to the final Housing Benefit Subsidy Claim for 2019/20.

## 11 **DETAIL OF THE LATEST REVIEW AND UPDATE OF THE COUNCIL'S STRATEGIC RISK REGISTER**

**INFORMATION:** The Strategic Risk Register was formally reviewed by Members as part of the Member Development Evening Programme and Management Board, and was also updated as necessary throughout the year by Management Board. The Register gave details as to the overall strategic risk of the Authority, which included risks that could potentially prevent the Council from achieving its key objectives. This Strategic Risk Register was approved by Cabinet at the meeting held on 12<sup>th</sup> July 2021.

**DECISION:** That Governance and Audit Scrutiny Committee noted and endorsed the Strategic Risk Register and the Action Plans for managing the high rated risks.

**REASON FOR DECISION:** The Strategic Register details the risks which have potential to impact on the delivery of the Corporate Strategy over the medium-term. The Register forms one part of the Council's overall approach to risk management.

## 12 **TREASURY MANAGEMENT ANNUAL REPORT 2020/21**

**INFORMATION:** Members gave consideration to the report which focused on the treasury management activities of the Council for the period 2020/21.

Members were informed that economic events had been dominated by the Covid pandemic which included interest rates falling to historical low levels. During the year the maximum duration for investments was maintained at 35 days.

The Council had increased its borrowing requirement by a net £11.214m from the previous year mainly due to expenditure on Horizon 120 and a capital payment towards improvements at the facility for recycling the Council's household collections. The increased borrowing requirement was met by internal borrowing which meant that the amount of cash available to the Council for investment purposes reduced by an equivalent sum by the end of the financial year.

In terms of borrowing, the Council's current debt of £6million had been retained; this was comprised of two Lender's Option, Borrower's Option loans which remain under review for any opportunities for refinancing. Members were advised of the new lending rules introduced by the Public Works Loans Board (PWLb) which now require local authorities when seeking to borrow to confirm they have no plans to acquire investment assets purely for yield in their capital plans over a 3-year period.

Investment activity increased significantly in terms of the volume of short-dated investments that were made and sold. This was mainly due to the funding that Government had provided to local authorities to passport on to businesses and other individuals as financial support during the Covid pandemic in the form of various grants.

The combination of lower dividend returns and a fall in short-term interest rates meant that, despite the higher average levels of cash managed during the year, overall investment income was lower than budget by £198,000.

**DECISION:** Members recommended submission of the Treasury Management Annual Report for 2020/21 to Full Council.

**REASON FOR DECISION:** To provide the Committee opportunity to review the draft Treasury Management Annual Report for 2020/21 and, if appropriate, to recommend any changes or to provide comments before the report is considered by Full Council.

13 **LOCAL CODE OF CORPORATE GOVERNANCE AND THE ANNUAL GOVERNANCE STATEMENT FOR 2020-21**

**INFORMATION:** Members gave consideration to the report on the Council's governance, risk management and internal control arrangements that had been reviewed in order to support the production of the Annual Governance Statement for 2020/21.

This report looked at the governance arrangements that were in place in the last financial year and goes up to the point of publication. It reviewed the Local Code of Corporate Governance which followed the seven principals, as devised by CIPFA/SOLACE. This process helped to ensure that the Council had effective governance, risk management and internal control processes in place to assist with accountability and delivery of objectives. Where arrangements were not in line with best practice or not working effectively, these were recorded in the Statement with action plans for improvement.

Members were informed that once BDO LLP (the Council's external auditor) had finalised the audit of the 2019/20 accounts, any other relevant information that emerged from this would be reflected in the Annual Governance Statement for 2020/21.

The Local Government and Social Care Ombudsman in 2020/21 received a total of 10 matters but no complaints were upheld by the Council. There were three matters awaiting decision.

Despite Covid, the Annual Governance Statement demonstrated that the Council's governance arrangements had remained suitable for purpose.

Members were advised that before the Annual Governance Statement could be signed by the Chief Executive and the Leader of the Council, a few adjustments would need to be incorporated within the document once the outcome of the Council's Audit 2019/20 had become evident.

Further to the report, it was agreed that should any amendments made to the Annual Governance Statement in future, the Chairman of the Governance and Audit Scrutiny Committee would be consulted on these.

**DECISION:** That the Corporate Governance Group agreed to:-

1. Approve the updated Local code of Corporate Governance as detailed in Appendix A of the report; and
2. Approve the 2020/21 Annual Governance Statement as set out at Appendix B of the report, prior to it being signed by the Chief Executive and the Leader of the Council.
3. Give delegated authority to the Corporate Director (Finance) to make any required amendments, in consultation with the Chairman of the Governance and Audit Scrutiny Committee, to the Annual Governance Statement prior to its submission with the Statement of Accounts.

**REASON FOR DECISION:** To evidence that the Council has conducted a review of the effectiveness of its system of internal control for 2020/21, ensure that the Annual Governance Statement for 2020/21 was correct and in order for the Leader of the Council and the Chief Executive to sign.

The meeting commenced at 7.15pm and closed at 9.47pm.

Councillor R van Dulken  
(Chairman)