

**AUDIT COMMITTEE**

Minutes of the proceedings at a virtual meeting of the Audit Committee held on Thursday, 17 September 2020, at 6.30 p.m.

Present

Councillors

Stephen Coleman (Chairman)  
Tracy Coward (Vice-Chairman)

John Holmes  
Kevin Holmes

Malcolm Lamb  
Kevin Lancaster

Matt Severn

Officers

Inge Booth	Legal, Governance and Democracy Specialist
Lawrence Conway	Chief Executive
John Davies	Case Management Officer
Linda Fisher	Legal, Governance and Democracy Lead Specialist (Monitoring Officer)
Julia Krier	Legal, Governance and Democracy Specialist
Claire Read	Finance Specialist
Helen Smith	Finance Lead Specialist (Section 151 Officer)
David Sykes	Director of Strategy, Innovation and Resources

Also in attendance were Peter Harrison (Internal Audit Manager) and Gareth Kelly (External Audit Manager).

**AUD/1 CHAIRMAN'S INTRODUCTION**

Following confirmation that the live stream of the meeting had commenced, on behalf of the Chairman, the Legal, Governance and Democracy Lead Specialist (Monitoring Officer) referred to the new Government legislation allowing councils to conduct remote meetings and explained in detail to all taking part, and for the benefit of members of the public, the procedures for the meeting. She then invited Members of the Audit Committee to introduce themselves, to advise whether they were taking part by video or audio and to confirm that they were able to see (where practicable) and hear all Members participating in the meeting. All Members present, having indicated that this was the case, she referred to officers and representatives of both External and Internal Audit present at the meeting, who would introduce themselves when asked to address the meeting. Also, on behalf of the Chairman, the Legal, Governance and Democracy Lead Specialist (Monitoring Officer), welcomed Councillor Malcolm Lamb to his first meeting of the Audit Committee and expressed thanks to Councillor Philip Dixon, who had recently taken up the role as a Cabinet Member, for his contribution to the Audit Committee. She further drew attention to the fact that Councillor Lamb had received one to one training on the work of the Audit Committee in order to enable him to fully participate.

**AUD/2 MINUTES**

No Member having raised concern when asked by the Chairman, it was

RESOLVED – That the Chairman be authorised to sign, as a correct record, the minutes of the meeting of the Committee held on 5 December 2020.

**AUD/3 DECLARATIONS OF INTEREST**

No declarations of interest were raised.

**AUD/4 LOCAL GOVERNMENT ACT 1972 - EXCLUDED ITEMS**

There were no excluded items on the agenda.

**AUD/5 AUDIT COMMITTEE 2020/21 WORK PROGRAMME**

The Finance Lead Specialist (Section 151 Officer) presented the Audit Committee 2020/21 Work Programme. She explained that there were currently three confirmed meeting dates of 17 September 2020, 5 November 2020 and 22 April 2020. She further proposed an additional date of 11 February 2020 in order to allow the Committee to catch up on its Programme. These dates would enable the usual four meetings to ensure that the workload for the year was spread over a reasonable number of meetings. The Work Programme was based on best practice and reflected the usual reports which had been prepared for a number of years. There were, however, a couple of exceptions, in that Terms of Reference had not been included on this agenda as it was not the start of a new year and, in addition, the Chairman's Annual Report, which would normally be presented to the first meeting, had not been included due to heavy workload. The Finance Lead Specialist (Section 151 Officer) advised that she intended instead to bring this to the next meeting of the Committee for forwarding to the next available Council meeting. In addition, she pointed out that there was no update on this agenda with regard to the Customer Connect Programme, but that a final report was due to be presented to the next meeting. The Finance Lead Specialist (Section 151 Officer), in closing, drew attention to an additional report on the agenda outlining controls around the Covid-19 outbreak and details on how officers had reacted and made arrangements during this time.

No Member having raised concern when asked by the Chairman, it was

RESOLVED – That the Audit Committee 2020/21 Work Programme be agreed.

**AUD/6 RISK MANAGEMENT UPDATE**

The Case Management Officer Support Services presented an interim review of the Strategic Risk Register completed on 6 August 2020 which outlined all of those risks above and below the line of risk tolerance. Mitigations designed to reduce the risks in terms of likelihood or impact or both were listed against each risk above the line of tolerance.

The review demonstrated that Covid-19 had had a negative impact, with about 65% of the Strategic Risks now positioned above risk tolerance. This was a reversal of the situation before Covid-19, when the same proportion of risks had been below risk tolerance. The Council was continually reviewing and mitigating against these risks, with the Corporate Management Team reviewing the Register each quarter as part of quarterly performance monitoring and reporting arrangements.

In response to a query, the Case Management Officer Support Services informed Members that the change in the Council's risk profile as a result of the Covid-19 pandemic was comparable to other local authorities.

No Member having raised concern when asked by the Chairman, it was

RESOLVED – That the Strategic Risk Register, as at Appendix 1 to the report, be noted.

**AUD/7            AUDIT COMMITTEE RISK REGISTER**

The updated Audit Committee Risk Register was presented by the Finance Lead Specialist (Section 151 Officer). The Risk Register had last been reviewed by the Committee on 5 December 2019 and the recommendation from that meeting had been included within the update, namely allocation of unique numbers to each risk in order to avoid confusion.

No changes were proposed to the two risks considered by the Committee on 5 December 2019. However, the Finance Lead Specialist (Section 151 Officer) was proposing a new risk, prioritised as having a medium likelihood and a marginal impact:-

AC/14: The effectiveness of the Audit Committee is limited due to the impact of the Covid-19 pandemic. This includes the risk arising from the long gap between meetings of the Audit Committee (from December 2019 to September 2020), the risk arising from virtual meetings and the risk of reduced support to the Committee due to increased service demands elsewhere in the organisation.

No Member having raised concern when asked by the Chairman, it was

RESOLVED – That the updated Audit Committee Risk Register be noted.

**AUD/8            EXTERNAL AUDIT PLAN FOR SOUTH LAKELAND DISTRICT COUNCIL YEAR ENDING 31 MARCH 2020**

The External Audit Manager presented the External Audit Plan for the Council for the year ended 31 March 2020. The Plan set out an overview of the planned scope and timing of the statutory audit of the Council for those charged with governance.

The document aimed to assist the Committee in understanding the consequences of External Audit's work, discuss issues of risk and the concept of materiality and identify those areas of work External Audit would undertake during the year.

In presenting the report, the External Audit Manager referred to significant risks, particularly that of Covid-19 and implications on financial reporting and accounting. He felt it was important to highlight that the 2019/20 assessment would not major on the impact of Covid-19 on the Council's arrangements. It had been agreed, however, with the National Audit Office that it was not appropriate to penalise any entity as a result of impact of Covid-19 later on in the financial year; this would obviously be different moving forward.

In response to a question as to whether the External Audit Manager expected the Covid-19 risk to appear within audits for the next several years, he informed the Committee that he believed it would have a significant impact for the foreseeable future. This was far reaching and the impact and the opportunities presented in terms of service delivery moving forward would require agility and change.

In addition, the External Audit Manager informed Members that one of the areas that would be impacted on in 2019/20 from a financial reporting perspective was on within-year accounts. Some material uncertainties had been highlighted around the value of the Council's land and buildings at year end as a direct result of Covid-19. This would be emphasised within the audit report for 2019/20. He assured Members that this was standard across all audits and was not a qualification of accounts but merely emphasising that existing disclosure within the Council's accounts.

No Member having raised concern when asked by the Chairman, it was

RESOLVED – That the External Audit Plan for South Lakeland District Council year ended 31 March 2020 be noted.

**AUD/9 EXTERNAL AUDIT SCOPE AND FEE LETTER 2019/20**

The External Audit Manager, presented a letter from Grant Thornton on the audit scope and additional work for 2019/20. The letter provided an update on the Company's plans to work with the Council over the coming months, to ensure that the external audit was planned effectively, to provide assurance for those charged with governance and to deliver a high quality audit to all users of the audit. The additional work proposed to be undertaken in respect of the addition of a significant audit risk in respect of Covid-19 was set out in the Audit Plan discussed at AUD/8 above. The External Audit Manager estimated in the letter that the additional fee set out in the Audit Plan, totalling £7,500, remained appropriate and undertook to maintain the fee within that envelope.

No Member having raised concern when asked by the Chairman, it was

RESOLVED – That the External Audit letter relating to audit scope and additional work for 2019/20 be noted.

**AUD/10 EXTERNAL AUDIT HOUSING BENEFIT CERTIFICATION YEAR ENDED 31 MARCH 2019 LETTER**

The External Audit Manager presented a letter from Grant Thornton, advising that, for the form MPD720A dated 4 November 2019 for the year ended 31 March 2019, External Audit had completed the specific test requirements detailed in the DWP reporting framework HBAP and had identified the results set out in Appendices A, B and C to the report, which provided a report on housing benefit certification work carried out for South Lakeland District Council for year ended 31 March 2019.

The External Audit Manager explained that this was a complex system and that it was not unusual to have qualifications of this nature. The letter identified some of the errors identified through the initial testing and those areas where External Audit had had to carry out additional testing and the issues had been reported through to the DWP.

The Finance Lead Specialist (Section 151 Officer) informed Members that the contents of the report had been accepted and that she expected shortly to settle the outstanding amounts.

No Member having raised concern when asked by the Chairman, it was

RESOLVED – That the letter from External Audit on Housing Benefit Certification Year Ended 31 March 2019 be received.

**AUD/11 EXTERNAL AUDITOR'S PROGRESS REPORT AND UPDATE - SEPTEMBER 2020**

The External Audit Manager presented a report providing the Committee with a summary of the progress made by Grant Thornton in delivering their responsibilities as the Council's External Auditors as of September 2020. The report also included details of emerging national issues and developments that might be relevant to the Council.

In presenting the report, the External Audit Manager expressed appreciation for the early submission by the Finance Lead Specialist (Section 151 Officer) and her Team of a solid set of Statements. He advised that External Audit were making good progress through the audit on the accounts and the Value for Money work and were on course to complete the audit and to report back on it to the Committee on 5 November 2020. The External Audit Manager made particular reference to the value for money work which had gone well and informed Members that External Audit was close to be able to share its initial findings, with a positive outcome proposed at this stage. He referred to the new Code of Audit Practice on Value for Money which had come into force on 1 April 2020 and to the new framework, and advised that he intended to provide a briefing on this to Members at the February 2021 meeting. The External Audit Manager drew Members' attention to financial reporting workshops which had been attended by officers the Finance Team pre-Covid-19. The External Audit Manager further drew attention to the sector update and to the in-depth insight into the impact of Covid-19 on financial reporting in the Local Government Sector and was pleased to report that this had been taken seriously by officers, with a separate paper having been submitted to audit alongside the accounts addressing each of the issues raised, in line with good practice. The Council was responding well to the challenges.

No Member having raised concern when asked by the Chairman, it was

RESOLVED – That the progress made by External Auditors as at September 2020 be noted.

## **AUD/12 INTERNAL AUDIT PROGRESS REPORT 2019/20 (SEPTEMBER 2020)**

The Internal Audit Manager introduced the Internal Audit Progress Report 2019/20. Appendix 1 of the report provided a summary of the progress against the Internal Audit Annual Plan as at September 2020. He explained that, in terms of internal audit delivery, the work for 2019/20 had largely been completed by the end of March 2020, including following up on outstanding recommendations. One review, that of Non-Domestic Rates, had not been carried out due to it having been scheduled to commence just at the time that the country had gone into lockdown. It had not been necessary to carry out the ERDF Grant review as the amount of grant claimed had not been significant at the time the review had been due to commence.

In response to a query regarding progress against the Annual Plan for 2019/20 and concern at the large amount of reasonable assurances provided as opposed to substantial, the Internal Audit Manager explained that this was not unusual and that reasonable assurance was a good level of assurance indicating only that some improvements could be made. The assessments were based on the number of recommendations and the priority of the recommendations made. These were always followed up to ensure that they had been implemented and, this being the case, it could be taken from this that the systems had improved and, arguably, could be then considered as having moved to substantial assurance. He added, however, that when the reviews were repeated in two to three years' time, things may have changed and that other issues which needed addressing could become apparent.

The Internal Audit Manager presented executive summaries relating to seven audit reports which had been completed in the period, as set out in Appendix 2 to the report and as follows:-

Data Protection Compliance had received an assessment of reasonable assurance, with the conclusion being that the Council had a robust framework to facilitate ongoing compliance with the current Data Protection legislation, including appropriate policies, procedures and guidance. Four important and one routine action points had been identified, details of which were provided.

ICT Network Security and Cybercrime had received an assessment of reasonable assurance with the conclusion being that appropriate operational cyber security arrangements were in place at South Lakeland District Council, however, that the framework within which the cyber security controls function could be strengthened. Five important, three routine and three operational action points had been identified, details of which were provided. The Internal Audit Manager stressed that this was a critical area and referred to recent targeted attacks carried out on the education sector in order to compromise systems. The Director of Strategy, Innovation and Resources referred to recent events in Northumbria and Newcastle Universities and informed the Committee that the details had been immediately reported by the relevant Lead Specialist, resulting in the instigation of refresher cyber security awareness training for all staff. The Finance Lead Specialist (Section 151 Officer) added that colleagues in Copeland who had experienced a cyber-attack a couple of years previously had shared lessons learnt from the experience which had provided officers with ideas on recovery from this type of event which could have huge implications on a local authority. Members acknowledged the need to be wise in this regard.

Contract Management had received an assessment of limited assurance, with the conclusion being that the basic elements were in place for procurement, however, with a number of recommendations being made to improve the process, particularly with contract management. Two urgent, nine important, five routine and one operational action points had been identified, details of which were provided. In response to a query on training, the Finance Lead Specialist (Section 151 Officer) reported that there had been one to one development work with staff who had moved into this area of work following major changes in staffing around contracts, as well as a new Procurement Specialist recently having taken up post. She explained how Customer Connect had led to changes in staffing roles and in those leading on contracts, resulting in the need for a large amount of additional training in procurement regulations, at the same time as the onset of Covid-19. In addition, there had been a lot of additional work around contracts regarding negotiations and some fairly intense procurement exercises which had had to be re-run due to limited response during the pandemic. Work had yet to be caught up on and officers were looking into how best training could be rolled out and the potential for online sessions. The Finance Lead Specialist (Section 151 Officer) also drew attention to the Contract Management Board which was mainly made up of officers from the Legal Services, Finance and Procurement Teams. She informed Members that the Board, the establishment of which the Legal, Governance and Democracy Lead Specialist (Monitoring Officer) had helped to push forward, was working hard to identify and address issues. The Legal, Governance and Democracy Lead Specialist (Monitoring Officer) provided details of the work being carried out by the Contract Management Board which was reviewing contracts impacted on by Covid-19 as well as carrying out checks across the Council's services. In terms of the Contracts Management Register, she pointed out that the table within the report suggested that the Procurement Specialist was the lead in this regard, however, explained that this was, in fact, her responsibility as the Monitoring Officer. She added that the Deputy Monitoring Officer was working hard to ensure that the Register was complete and up to date to ensure that the Team was more aware regarding the renewal of contracts. The Legal, Governance and Democracy Lead Specialist (Monitoring Officer) looked forward to providing the Committee with updates on the progress.

Customer Connect had received an assessment of reasonable assurance, with the conclusion noting that the Council was now into the fourth year of its ambitious transformational Customer Connect Programme based on a blueprint provided by its implementation partner, Ignite. One important action point had been identified regarding the digital innovation aspect of the Programme, which was behind schedule, over budget and under delivering when compared against the original business case. The Director of Strategy, Innovation and Resources explained that there were a couple of business cases associated with the Customer Connect Project, the first one to which the recommendations and comments primarily related to being about the digital side of the project and the original business case in 2016. The Council had then come forward in 2018 with a full Customer Connect business case, which was more associated with the people side of the Programme. He informed the Committee that officers were keen through this finding to ensure that the original digital business case was updated and incorporated into the new business case, which was currently on track. The need to be able to demonstrate delivery of the benefits of the project and to actually show how they had been developed at its conclusion was wholly accepted.

Main Accounting Systems had received an assessment of reasonable assurance, with the conclusion being that testing of the system had shown that there were robust processes that were predominantly being adhered to, but which could be further enhanced. Two important and one routine action points had been identified, details of which were provided.

Leisure Services had received an assessment of reasonable assurance, with the conclusion being that there were arrangements in place for the management of the leisure partnership contract, however a number of recommendations had been made to improve the process. One important and three routine action points had been identified, details of which were provided. The Director of Strategy, Innovation and Resources responded to a concern raised around Covid-19 and as to whether the potential for the reintroduction of lockdown and the possibility of Kendal Leisure Centre being reinstated as an emergency hospital had been taken into account within risk assessments. He agreed that this would certainly pose a risk towards the operation of the Leisure Centre. The Council maintained dialogue with the Hospital Trust and was connected with the Strategic Co-ordination Group and would become aware if there was a growing need. The current view regarding a recovery centre was that it had not been required last time and that there was no sign of the Leisure Centre being used in the future. The Director of Strategy, Innovation and Resources also referred to the action point identified regarding the need to establish what KPIs had been agreed between the Council and Greenwich Leisure Limited (GLL) as part of the contract agreement. He informed Members that an update had been provided by the Operational Lead Delivery and Commercial Services. KPI arrangements were now in place with GLL and suitably documented. The Director of Strategy, Innovation and Resources recalled the existence of KPIs and regular reports in previous years and suspected that the lack of recent records was down to changes in staff.

Emergency Planning had received an assessment of substantial assurance, with the conclusion being that the Council had robust Emergency Planning arrangements in place to maintain a capability to plan for, and respond to, incidents or emergencies that could impact on its communities. One routine action point had been identified, details of which were provided. In response to a suggestion, the Chief Executive undertook, in consultation with the Chairman, to arrange for a letter of thanks to be sent to the lead officer on behalf of the Committee.

Internal Audit had also assessed the extent to which previous internal audit recommendations had been implemented. The report showed that 20 recommendations were yet to be implemented. Two were on target and there were 18 in progress where the

original target dates had not been met. Eleven recommendations had been implemented and were now considered closed. The Director of Strategy, Innovation and Resources, in response to a query, explained that he had previously undertaken to provide a detailed update to the Committee on outstanding actions and undertook now to gather the relevant information, including additional narrative, and provide an update at the next meeting. The Chairman, although cognisant of the Covid-19 situation, stressed the need for implementation of the recommendations. The Finance Lead Specialist (Section 151 Officer), within whose remit this issue sat, informed Members that additional resources were being sought through the Operational Lead Support Services and his Team to ensure that the recommendations were being turned around.

With the exception of Councillor Kevin Holmes who abstained having been disconnected from the meeting for part of the item and no other Member having raised concern when asked by the Chairman, it was

RESOLVED – That the following be noted:-

- (1) the progress achieved in 2019/20 in delivering the Audit Plan and the outcomes of completed audit reviews, as set out in Appendix 1 to the report;
- (2) the audit reports, as set out in Appendix 2 to the report; and
- (3) the progress achieved in implementing recommendations from previous internal audit reports, as set out in Appendix 3 to the report.

### **AUD/13 INTERNAL AUDIT ANNUAL REPORT 2019/20**

The Internal Audit Manager, introduced the 2019/20 Internal Audit Annual Report. The report provided a summary of the outcomes of the work of the Internal Audit and included the Head of Internal Audit's opinion on the effectiveness of the Council's arrangements for risk management, governance and internal control in accordance with requirements of the Public Sector Internal Audit Standards (PSIAS).

The Internal Audit Manager informed Members that internal audit work had been impacted by the Covid-19 pandemic and that, as a result, the review of Non-Domestic Rates had not been completed. This had not, however, impacted on Internal Audit's ability to provide reasonable assurance over the Council's systems of governance, risk management and internal control.

No Member having raised concern when asked by the Chairman, it was

RESOLVED – That the following be noted:-

- (1) the Head of Internal Audit's opinion of reasonable assurance on the Council's overall systems of governance, risk management and internal control for the year ended 31 March 2020, as set out in Appendix 1 to the report;
- (2) the progress achieved in 2019/20 in delivering the Audit Plan and the outcomes of completed audit reviews, as set out Appendix 1 to the report;
- (3) the Head of Internal Audit's declaration of Internal Audit independence, as required by the mandatory PSIAS; and
- (4) the Head of Internal Audit's declaration of conformance with the mandatory PSIAS.

**AUD/14 INTERNAL AUDIT ANNUAL PLAN 2020/21**

Members gave consideration to a proposed Internal Audit Annual Plan for 2020/21, presented by the Internal Audit Manager.

The Accounts and Audit Regulations required the Council to undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with proper practices in relation to internal control. Proper Practices were now defined within the Public Sector Internal Audit Standards (PSIAS) which had become mandatory for all UK public sector internal auditors from 1 April 2013. The PSIAS affirmed the need for annual risk based audit plans to be developed in order that the Head of Internal Audit could form an annual opinion on the Council's systems of risk management, governance and internal control.

The draft Internal Audit Annual Plan attached at Appendix 1 to the report had been prepared following review of corporate documents including the Council's Corporate Risk Register, corporate plans and recent internal audit coverage. In the light of the Covid-19 pandemic, it was important that the Plan remained flexible to respond to changing priorities during the course of the year.

The Plan would be subject to regular review to ensure that it remained appropriate and any revision required would be considered and agreed by the Finance Lead Specialist (Section 151 Officer) and reported to the Audit Committee, including the need for any additional audit resources, if appropriate. Any request for significant consulting activity by Internal Audit would be considered for approval by the Audit Committee, in line with the requirements of the PSIAS.

The Internal Audit Manager pointed out that this would be another challenging year for local authorities in terms of funding, regulation and also the pressures on service delivery. He drew particular attention to a number of key areas which would require consideration when planning internal audit coverage, namely Covid-19, Post Brexit Transition, Financial Challenges and Staff Changes. He drew attention to the fact that the review of National Non-Domestic Rates had been carried over from 2019/20 due to the outbreak of Covid-19 and advised that Internal Audit would continue to follow up implementation of previous internal audit recommendations throughout the year.

The Finance Lead Specialist (Section 151 Officer) confirmed that she was content, having discussed and worked on the content together with Internal Audit.

A question was raised with regard to services carried out by contractors who may fail to continue to deliver or complete contracts as a result of the impact of the Covid-19 pandemic. The Director of Strategy, Innovation and Resources explained that this issue was addressed within the Council's Business Continuity Plans and logged within the Strategic Risk Register. Officers had been and continued to understand situation with regard to the Council's main suppliers, for example those running the leisure contact and grounds maintenance contract, and were active in taking steps to understand the implications and where there may be, for example, increased cost or whether the contractor was able to continue delivering the contract. This was being kept under review and the Council would become aware of any situation heading in that direction. The Legal, Governance and Democracy Lead Specialist (Monitoring Officer) added that there was a Contract Lawyer in the Legal Team who worked closely with the Finance Team, Lead Specialists and Contract Managers. Work was active in this regard and the Team was in the process with some companies, examining contracts and renegotiation terms.

She informed Members that the Council looked to support businesses where it could, whilst looking after the Council's position. Reports were being presented to Cabinet as necessary.

The Chairman asked the meeting if the motion was agreed. There being no dissent, it was

RESOLVED – That the Internal Audit Annual Plan 2020/21, as attached at Appendix 1 to the report, be approved.

## **AUD/15 STATEMENT OF ACCOUNTS AND ANNUAL GOVERNANCE STATEMENT 2019/20**

The Finance Lead Specialist (Section 151 Officer) introduced the draft Statement of Accounts and Annual Governance Statement for 2019/20. The unaudited statements had been published on the Council's Website on 24 June 2020 and had been opened up to scrutiny and comment by members of the public from 29 June to 10 August.

The Finance Lead Specialist (Section 151 Officer) explained that the Council's Statement of Accounts was required to be published after the conclusion of the external audit of accounts. She informed Members, however, that the audit deadline for 2019/20 had been extended from the end of July to 30 November 2020 due to the Covid-19 pandemic. The opportunity was being taken, therefore, in the interests of openness and transparency, to table the draft accounts for 2019/20 at this meeting of the Audit Committee in order to provide Members with a chance to review and comment on the accounts, prior to the audited accounts being presented to an additional meeting of the Committee on 5 November 2020. She further drew Members' attention to the fact that, as the Council's Section 151 Officer she had duly approved the accounts for issue in June 2020.

The Finance Lead Specialist (Section 151 Officer) informed Members that an updated valuation had been received from the actuaries with regard to the Pension Fund. A key risk was the value of investments held by the Pension Fund at the year end. The valuation in April had been based on the best information available at the time, however, the long term impacts of Covid-19 and the possible long term implications had since become clearer. That revaluation had identified that the net pension liability was closer to £1m higher than valued at the end of March in the original valuation. Officers would, therefore, be preparing updated accounts. The Finance Lead Specialist (Section 151 Officer) informed the Committee that a new pension note had already been submitted to the Audit Team for review. The version of the accounts to be brought back to Committee in November 2020 would include this as a major amendment. As far as she was currently aware, no other material issues had been raised, although there had been a few issues identified as part of review, and those amendments would be made with the agreement of the Audit Team, and also brought back to Committee in November.

It was raised that reference to Covid-19 appeared throughout the narrative of the document and to the fact that this would obviously be a challenge over the next several years. A query was raised as to whether the Council was putting aside money to address the particular issues, for example, a potential increase in homelessness. The Finance Lead Specialist (Section 151 Officer) explained that regular reports were being made to both Council and Cabinet on the financial position of the Council and the impact on some residents as a result of the situation. She went on to provide a detailed verbal update on the Council's financial position, on assistance provided by central Government and on the work that had been undertaken to minimise the financial impact on residents and businesses in the district. There would, of course, be an impact on the Council and it was expected that just under £2m of reserves would be used in this financial year. The impact

onto future years was being monitored and incorporated into the Council's Medium Term Financial Plan. Officers and Members of the Cabinet were currently looking at options for bridging the budget gap in future years. All assumptions were being kept under review and, as things changed officers were trying to be agile in responding. The Director of Strategy, Innovation and Resources added that there was to be a strategic review of the Council Plan through which it would be ensured that it reflected the impact of Covid-19 and what it meant for the Council's priorities moving forward. In addition, he informed Members that the Overview and Scrutiny Committee was due to hold a seminar in October with regard to the impact of Covid-19 at which all Members would have an opportunity to participate in discussion on what they felt was the impact of Covid-19 on the district and its communities and what it was believed that the Council's role should be in helping to address their needs.

The Vice-Chairman felt privileged to have read the report, referring to the unprecedented challenge as a result of the Covid-19 pandemic and expressing confidence in and appreciation for the Council's officers' efforts in addressing the situation.

No Member having raised concern when asked by the Chairman, it was

RESOLVED – That the following be noted:-

- (1) the draft Statement of Accounts for 2019/20; and
- (2) that the accounts will be presented to the next meeting of the Audit Committee on 5 November 2020 for formal approval alongside the audit opinion.

#### **AUD/16 AUDIT COMMITTEE COVID-19 UPDATE**

Covid-19 had had, and continued to have, a widespread impact on local authority service demand, service delivery and spending throughout the country. The Finance Lead Specialist (Section 151 Officer) presented a detailed report reviewing the changes to the Council's finances and governance arrangements as a result of Covid-19.

The report provided information around actions that had been taken to ensure that the Council's priorities were delivered during the Covid-19 pandemic, whilst still ensuring that suitable internal controls were considered:-

- new delegations;
- elections;
- virtual meetings;
- remote working;
- procurement and acceptance of tenders;
- grants schemes;
- treasury management;
- income collection;
- accounting and budgeting; and
- service delivery and working collaboratively.

The Finance Lead Specialist (Section 151 Officer) explained that the information would be fed into the Annual Governance Statement which she would be preparing in April 2021 as part of the accounts to detail the impact of Covid-19 and the actions taken by the Council.

Staff having been commended for their remarkable work during the Covid-19 pandemic, a question was raised as to whether central Government expected local authorities to fund the administration of grants. The Finance Lead Specialist (Section 151 Officer) informed Members that the Council was due to receive £170,000 towards administration of the processes. At the moment, that was the only area where specific new burdens grants to reflect the administrative burden had been announced. She was of the opinion that the figure of £170,000 compared to additional costs was quite generous, however, if compared to the total staffing costs, it probably did not fully cover the costs incurred by the Council. She stressed, however, that it was good that there had been recognition of the costs.

The Finance Lead Specialist (Section 151 Officer), having at this point been informed by a member of her team, was able to confirm receipt of the £170,000 funding.

The Chairman acknowledged the work carried out by officers during this stressful time and asked the Finance Lead Specialist (Section 151 Officer) to pass on the Audit Committee's thanks to her Team. The Finance Lead Specialist (Section 151 Officer) explained that most of the work had been carried out by other teams, led by the Economic Development Team, with staff from throughout the Council having helped to get the grants turned around and the Finance Team having simply paid out the awards at the end of the process. She undertook to pass on the Committee's thanks and the Chairman further asked the Chief Executive to do the same.

No Member having raised concern when asked by the Chairman, it was

RESOLVED – That the actions taken as a result of the Covid-19 pandemic be noted.

## **AUD/17**

### **OTHER SIGNIFICANT FINANCIAL ISSUES**

The Finance Lead Specialist (Section 151 Officer) reported briefly on the outcome of the Redmond Review into local government financial reporting and external audit processes. She advised that she would be providing a full report to the next meeting of the Committee, however, informed Members that the key messages were that the review acknowledged that the accounts were complex. However, rather than suggesting simplification of the accounts, there was the suggestion for an additional statement providing a summary in easy to understand format. Further suggested was that the proposed timing of the audit could be extended to allow more time for the audit and that the fees could increase to reflect the costs of the additional work. The Finance Lead Specialist (Section 151 Officer) had received a presentation from Sir Tony Redmond on his proposals and how he felt that some things were easy to change, particularly the context of the accounts, but some things were determined by national bodies, with no flexibility, which was somewhat disappointing.

The External Audit Manager advised the Committee that he had a slide deck summing up the Redmond Review, which he would initially share with the Finance Lead Specialist (Section 151 Officer) and then Members. External Audit being a key stakeholder, he also intended to go through this in more detail from their perspective at the next meeting. External Audit welcomed the Review and believed that the main issues and areas highlighted needed to be swiftly addressed.

No Member having raised concern when asked by the Chairman, it was

RESOLVED – That the verbal update be noted.

The meeting ended at 8.10 p.m.