

## **EPHING FOREST DISTRICT COUNCIL COMMITTEE MINUTES**

**Committee:** Audit & Governance Committee                      **Date:** Wednesday, 9 December 2020

**Place:** Virtual Meeting on Zoom                                      **Time:** 7.00 pm

**Members Present:** I Hadley (Chairman), T, Jarvis (Vice-Chairman), S Heap, R Jennings, P Keska and B Vaz

**Other Councillors:** J Philip

**Apologies:**

**Officers Present:** L Kirman (Democratic Services Officer), S Marsh (Chief Internal Auditor), S.Linsley (Senior Auditor) G Woodhall (Team Manager - Democratic & Electoral Services), A Small (Strategic Director Corporate and 151 Officer), C Hartgrove (Interim Chief Financial Officer), N Cole (Corporate Communications Officer) and V Messenger (Democratic Services Officer)

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### **39. Webcasting Introduction**

The Chairman made a short address to remind everyone present that the meeting would be broadcast live to the internet, and would be capable of repeated viewing, which could infringe their human and data protection rights.

### **40. Declarations of Interest**

There were no declarations of interest pursuant to the Council's Member Code of Conduct.

### **41. Minutes**

**Resolved:**

That the minutes of the meeting held on 28 September 2020 be taken as read and signed by the Chairman as a correct record.

### **42. Matters Arising**

There were no matters arising from the minutes of the previous meeting which warranted further discussion.

### **43. Audit & Governance Committee - Work Programme**

The Chairman advised that the date shown as 23 November 2020 should read 9 December 2020.

The Committee noted the Work Programme.

**44. Internal Audit Monitoring Report - November 2020**

The Chief Internal Auditor, S Marsh, presented the Internal Audit Monitoring Report, September to November 2020. She advised that progress had been made against the approved audit plan and that specialist services had been brought in to assist with completion of the audit plan at no additional cost. The Active Directory Management audit has been finalised since the last Committee meeting in September, with moderate assurance. This was a technical audit carried out by IT specialist and related to the directory services developed by Microsoft for the administration of all PCs and servers on a windows domain; additional work is required on passwords, dormant accounts, security logs and servers, the IT department were addressing the recommendations.

The Recommendation Tracker showed three outstanding recommendations. Assurance was provided that the two outstanding health and safety recommendations were being actively worked on; additional support had been brought in for the Health and Safety Officer; a strategy and operational group had been set up; priority was being given to the completion of Health & Safety risk assessments; and a new system for staff to report accidents and near misses was due for implementation with improved training and awareness. A policy for Asbestos Management was approved by Cabinet on 3 Dec 2020, in line with the third recommendation on the tracker.

S Marsh advised that Internal Audit had worked with the Corporate Fraud Team on processing and identifying potential fraud in relation to grants as well as providing support to the Finance Department. The corporate fraud team have continued to vet all right to buy though zoom and have worked with housing in relation to succession applications.

**Resolved:**

- (1) That the summary of the work undertaken by the Internal Audit Team and the Corporate Fraud Team during the period October to November 2020 be noted.

**45. Audit Committee Effectiveness and Review of Terms of Reference**

The Chief Internal Auditor, S Marsh, reported that in line with good practice the Audit and Governance Committee reviewed its terms of reference and effectiveness on an annual basis, in line with the Chartered Institute of Public Finance and Accountancy (CIPFA) model and other councils. No change of reference was proposed.

The Terms of Reference for the Committee detailed the requirement for co-opted members. Tony Jarvis had joined the Committee; a further recruitment exercise would be carried out in the new year.

The Audit and Governance Committee had demonstrated compliance with recommended best practice for an effective audit committee, in line with the CIPFA checklist. The skills and knowledge aspect would be reported at the next meeting.

The Chairman highlighted that this Committee was responsible for the appointment of the external auditors.

Cllr Heap questioned the remit of the Committee in relation to Quails and the potential to look at documentation used for decision making as the sole shareholder. The Section 151 Officer, A Small, detailed that all governance issues fell under the remit of the Audit and Governance Committee, as such the Committee would be

responsible for oversight of the governance mechanisms. The actions and performance of Quails would fit into the remit of Overview and Scrutiny Committee, who would be able to see commercial documentation. It was noted that the delineation between the boundary of commercial sensitivity and information the Council needed to be clear.

#### **Resolved**

- (1) That no changes are required to the Committee's Terms of Reference,
- (2) The results of the review of effectiveness of the Committee be noted; and
- (3) That the progress made against the audit action plan be noted.

#### **46. Risk Management**

The Section 151 Officer, A Small, presented a report on Risk Management, the risk register and risks the Council are facing at a corporate level. He detailed the main changes to the corporate risk register since the last committee. The risk for economic development had been reduced due to a number of actions that would bolster the local economy and two risks had been removed as standalone risks; the staff travel plan risk has been subsumed within the accommodation project and the Qualis risk integrated as part of financial risk for the Council

Tony Jarvis commended the officers for the clarity of the report, analysis and actions.

Cllr Heap challenged the risk rating of the climate emergency as B2 and suggested this should be A1, as climate change was occurring and impacted upon everything that the Council did. He detailed consequences and actions that could be carried out at a local, national and global level and stressed the importance of immediate mitigation. The significance of the climate emergency at a global level was acknowledged by the Committee and discussion ensued on the role of the committee in relation to this risk. The Section 151 Officer advised that the risk register related to the actions taken by the Council in relation to that risk and if there were suitable plans in place to address the risk at a local level and for their sphere of influence. Cllr Phillips reminded the Committee that the Council had declared a Climate Emergency and that budget allocation had been made to allow the plans to be developed. The Committee requested a report for a future meeting, on the climate emergency action plan from a governance perspective, that would allow them to determine if the risk rating needed to be reviewed and if required what the risk level should be.

The Chairman raised the issue of delays to the inspection of the local plan, Cllr Philip explained that the inspectors schedule has limited latitude, a slot was missed due to Covid, but progress was anticipated.

#### **Resolved**

- (1) The changes in the risk register were noted and endorsed; and
- (2) That a report be presented at a future meeting, on the governance of actions associated with climate emergency action, to enable the Committee to determine if the risk rating needed to be reviewed.

**47. Treasury Management Mid-Year Report 2020/21**

The Interim Chief Financial Officer, C Hartgrove, presented the Treasury Management Mid-Year Update 2020/21 which outlined the borrowing and investment activity for the year to date and detailed how the Council performed against the relevant treasury management indicators.

During the period April to September 2020 borrowing had increased by £16.0million to £240.5million with a reduction in investments of £20.9 million to £1.2 million. Analysis of the non-treasury investments and the commercial property portfolio showed a balance sheet value of £138 million at the start of the financial year and £3.7 million net income for the for the first six month, this reflected the accrued position, there had been no write-offs against this income to date, however bad debt provision had been made in light of the COVID pandemic.

The Treasury Management indicators had been met, in the main, however, several factors in an exceptional year including: exceptionally high balance at year end (reported to the Committee 28 September 2020); funding assembled for Qualis; and unexpected Government support for local businesses for COVID had created an unprecedented cash flows, this had now stabilised.

The Chairman questioned the yield on commercial property portfolio and was advised that this was based on the Balance Sheet value which for would not be the same as the acquisitions value and the reason percentage returns were not included.

Cllr Heap asked if the Housing Revenue Account (HRA) loan that was due to mature soon, would be replaced by borrowing at a lower rate of interest. Cllr Philip advised that details of the HRA repayments had been requested at the Council Housebuilding Cabinet Committee (8 Dec 2020) and these details should be available soon. The Sec 151 Officer detailed that this related to a refinancing event and treasury management advice will be taken to determine if debt is partial of fully refinanced.

**Resolved:**

- (1) The Treasury Management Mid-Year Update 2020/21 was noted and recommended for comment to full Council.
- (2) The Minimum Revenue Provision Statement (MRP) 2020/21 was recommended to Council for approval.

**48. ANNUAL AUDIT AND STATEMENT OF ACCOUNTS 2019/20**

The Section 151 Officer outlined the annual audit and statement of accounts 2019/20 could not to be presented to the Committee and advised that officers had completed and improved the processes to ensure that the accounts were in a fit state for audit, the delay was due to the external auditor's inability to meet the deadlines due to capacity issues and COVID impact on finance teams. The Committee emphasised the requirement to present the audit and accounts at the next Committee meeting.

**Resolved:**

- (1) Finalised Annual Audit and Statement of Accounts 2019/20 to be presented at the next Committee meeting.

**49. Any Other Business**

The Committee noted that there was no other urgent business for discussion at the meeting.

**50. Appointment of Vice-Chairman**

The Chairman addressed the vacancy of Vice Chairman and advised the Committee that if the Chairman of the Committee was a Councillor, then the Vice Chairman must be a Co-Opted Member, and vice versa. Tony Jarvis was nominated by Cllr Heap and seconded by Cllr Vaz and duly accepted the role of Vice Chair of the Committee.

**Resolved:**

- (1) That the Committee appointed Mr Tony Jarvis as the Vice Chair of the Audit and Governance Committee for the remainder of the 2020/21 municipal year.

**51. Exclusion of Public and Press**

The Committee noted that there was no business which necessitated the exclusion of the public and press from the meeting.

**CHAIRMAN**