



## Audit and Governance Committee

Monday, 29 July 2020 at 6.30pm  
(Online meeting)

Due to Covid-19, this meeting will be held remotely and will be livestreamed here:  
<https://www.youtube.com/channel/UCdfb6ZRbYnZ1-rRiiLmjUwg> (Copy and paste the link in your browser)

**Committee Members: The Chair (Councillor Hull) and Councillors Barrett, Handley, Harbron, Lis, Mercer, Noland, Place and Wheeler.**

**Independent Person: Mr G Robinson**

### AGENDA

1. **Apologies for absence** – To receive any apologies for absence.
2. **Minutes** – To approve the minutes of the meeting held on 29 June 2020.
3. **Public Participation** – In the event that any questions/statements are received or members of the public attend, the public participation session will proceed for a period of up to fifteen minutes.
4. **Declarations of Interest** – All Members are invited to declare at this point any interests they have in items appearing on this agenda, including the nature of those interests.

(Note: Declarations should be in the form of:

a “**disclosable pecuniary interest**” under Appendix A to the Council’s Code of Conduct, or “**other interests**” under Appendix B or under Paragraph 15 where a matter arises at the meeting which relates to a financial interest of a friend, relative or close associate.

A Member of Council who has a disclosable pecuniary interest must leave the room and not take part in the discussion or vote. When declaring interests under Appendix B or Paragraph 15 of the Code, Members must move to the public seating area, not vote, and speak only if members of the public are also allowed to speak at the meeting.)

5. **Internal Audit: Annual Report 2019/20**

**REPORT TO FOLLOW**

6. **Draft Internal Audit Plan 2020/21** – Report of the Audit Services and Fraud Manager – Shared Internal Audit Service

Purpose of report – To provide the proposed Internal Audit Plan for 2020/21 for consideration and approval.

7. **Update of the Statement of Accounts 2019/20** – Report of the Chief Finance Officer (S151)

Purpose of report – To provide an update on the production of the 2019/20 Statement of Accounts and the subsequent audit process.

8. **Any other items** which the Chairman decides are urgent in accordance with Section 100B(4) of the Local Government Act, 1972.

9. **Date and time of next meeting:** Monday, 21 September at 6.30pm.

**Agenda Contact Officer:**

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## **AUDIT AND GOVERNANCE COMMITTEE**

29 June 2020

### **Online Meeting**

**Present** – The Chairman (Councillor Hull) and Councillors Handley, Mercer, Noland, Place, Wheeler and Independent Person Greg Robinson.

**Officers** – Chief Executive, Chief Finance Officer (s151 Officer), Exchequer and Performance Manager, Solicitor to the Council and Monitoring Officer, External Audit Engagement Lead, External Audit Engagement Manager, Democratic Services Manager and Democratic Services and Scrutiny Officer.

Apologies for absence were received from Councillors Barrett, Lis, and Harbron.

Start: 6.30pm

Finish: 7.37pm

**Resolved** – That the minutes of the meeting held on 28 January 2020 were approved as a correct record.

### **Minutes for Report**

#### AC.378 **EXTERNAL AUDIT: 201920 AUDIT STRATEGY MEMORANDUM**

The Chief Finance Officer introduced the Committee to Mark Dalton and Mark Outterside, new management from Mazars.

The External Audit Engagement Lead presented the report which summarised the audit approach and highlighted significant audit risks and areas of key judgements. The External Audit Engagement Manager briefly addressed the significant identified audit risks which included property valuations, defined benefit liability valuation, investment properties and bad debt provision.

One Member questioned whether the audit was on track as described in the diagram detailed in the report. The External Audit Engagement Lead assured Members the audit was progressing well and on track for completion and presentation in September 2020. Members noted that due to the current climate the draft annual accounts were expected 30 June 2020.

The Chief Finance Manager addressed Members concern in relation to property valuation management. It was explained that the Council's asset base was valued on a cyclical basis. There was a degree of uncertainty due to Covid-19 however not being able to visit sites was not expected to slow proceedings.

**Resolved** – (1) That, the 2019/20 Audit Strategy Memorandum is noted.

#### AC.379 **EXEMPTIONS GRANTED UNDER CONTRACT PROCEDURE RULES**

The Chief Finance Officer presented the exemptions granted from the Council's Contract Procedure Rules from 2 January 2020 to 18 June 2020.

The Chief Finance Officer reminded Members that under certain circumstances there were occasions when it's appropriate not to seek tenders or quotations provided that the alternative method of selection can demonstrate value for money. Under the Contract

Procedure Rules there was one current named circumstance under which a responsible officer may seek exemption. Prior approval must be obtained from the Solicitor to the Council (Monitoring Officer) and the Chief Finance Officer.

In the period of January to June 2020, 1 exemption had been granted under the Contract Procedure Rules which was detailed in Appendix A of the report. Members were informed that in addition contracts may currently be awarded without competition in urgent circumstances in relation to the Council's response to Covid-19. Awards must be made in accordance with government Procurement Policy Notes 01/04/20 and 2 contracts had been awarded without competition under these conditions.

**Resolved –** (1) That, the exemptions granted from the Council's Contract Procedure Rules from 2 January 2020 to 18 June 2020 are noted.

### **Minutes for Decision**

AC.380

#### **REVIEW OF PROCUREMENT POLICIES AND PROCEDURES**

The Chief Finance Officer introduced the report which provided the outcome of a review of the Council's Procurement Policies and Procedures and requested approval to update the Council's Contract Procedure Rules in line with the updated policy.

The Exchequer and Performance Manager informed Members that it had been 5 years since the Contract Procedure Rules were last reviewed. The key proposed changes were highlighted which included the recommendation by Cirrus to remove the £30,000 interim threshold, move the lower threshold limit to £7,500, remove specific criteria for exemptions, permit appropriate SLT members to sign-off contract awards between £50,000 and £100,000, require an Experian (or equivalent) credit check for all contracts awards over £25,000 and require the use of e-tendering for all contracts about £7,500. The Exchequer and Performance Manager also informed Members that with a view to supporting the local market, local suppliers would be invited to form a supplier list.

One Member suggested moving the lower limit threshold to £10,000 instead of £7,500. The Chief Executive welcomed the suggestion and Members agreed the move if deemed financially appropriate. A recorded vote was taken which resulted in the agreement of the change.

**Resolved –** (1) That, the outcome of the review of procurement policy is noted and subject to the confirmation of the lower threshold limit for competitive quotes being moved to £10,000 the Committee approved the changes to the Contract Procedure Rules.

Chairman.

## **Audit and Governance Committee** 29 July 2020

### **DRAFT INTERNAL AUDIT PLAN 2020/21**



Report of the Audit Services and Fraud Manager – Shared Internal Audit Service

Ward(s) affected: All

#### **1. Purpose of Report**

- 1.1 The purpose of this report is to provide the proposed Internal Audit Plan for 2020/21 for consideration and approval.

#### **2. Recommendations**

- 2.1 That the Audit & Governance Committee considers and approves the Internal Audit Plan for 2020/21 as set out in this report and attached Appendices.

#### **3. Background Information**

- 3.1 The draft Audit Plan for 2020/21 is attached at Appendix A and sets out the areas, functions or activities at Craven which are to be reviewed together with an estimated number of days for each.

#### **4. The Report**

- 4.1 Under the Public Sector Internal Audit Standards, the Chief Audit Executive must give an overall opinion on the adequacy and effectiveness of their authority's internal controls, risk management and governance arrangements. The 2020/21 Internal Audit Plan must therefore include a sufficient range of audit work for this opinion to be given at the year-end in the Annual Internal Audit Report.
- 4.2 As all of the key financial systems within the Council have either been awarded "significant" or "good" levels of assurance with regards to the internal control environment, the approach from now on will be to adopt a more risk based approach whereby other internal controls are assessed. The focus for this year's audit work will be based on risks identified during the Covid-19 pandemic, its effect on the Authority, and the recovery process following. A significant part of the audit plan will be allocated to work relating to the allocation of the business support grant funds.

- 4.3 The draft Internal Audit Plan for 2020/21 is attached at Appendix A. The number of days allocated to specifically provide the Audit Services Manager with the evidence for the opinion on the control environment is 180 with an additional 20 days available for any ad hoc, consultancy or unforeseen work. This split is in line with the contractual terms of the new Shared Internal Audit Agreement and payment is only requested for the additional 20 days if the s151 Officer agrees that they should be used.
- 4.4 The draft Internal Audit Plan has been developed in consultation with members of Craven District Council's Corporate Leadership Team (CLT) including the s151 Officer, and takes into account:
- Risks of the Authority
  - Corporate Priorities
  - Proposed audit areas identified by the Institute of Internal Auditors
  - The effect and recovery process of Covid-19.
- 4.5 Progress against the plan will be monitored throughout the year and key issues/findings will be reported to CLT and members of Audit & Governance Committee.

## **5. Implications**

### **5.1 Financial and Value for Money Implications**

The Council pays a daily fee to Harrogate Borough Council as its contribution towards the cost of the Shared Service which is hosted by Harrogate.

### **5.2 Legal implications**

None.

### **5.3 Contribution to Council Priorities**

The delivery of an Internal Audit Service contributes to Council transformation.

### **5.4 Risk Management**

The Internal Audit function is an integral part of internal control

The major risks to the provision of the service to Craven include:-

- Insufficient resources and capacity – for example due to long-term sickness or vacant posts arising. If the situation arises, it will be addressed by the Internal Audit Shared Service Partnership Board, reporting to the respective Audit Committee of the two Councils if necessary.

- The need for a major investigation which will mean that some planned work will have to be deferred or an increase in the days provided at an additional cost to Craven.

## 5.5 **Equality Impact Assessment**

The Council's Equality Impact Assessment Procedure has been followed. An Equality Impact Assessment has not been completed on the proposals as completion of Stage 1- Initial Screening of the Procedure identified that the proposed policy, strategy, procedure or function does not have the potential to cause negative impact or discriminate against different groups in the community based on •age • disability •gender • race/ethnicity • religion or religious belief (faith) •sexual orientation, or • rural isolation.

## 6. **Consultations with Others**

Corporate Leadership Team  
Strategic manager – Financial Services (s151 Officer)

## 7. **Access to Information : Background Documents**

None

## 8. **Author of the Report**

Alison Johnson, Audit Services and Fraud Manager, Craven District Council and Harrogate Borough Council Shared Internal Audit Service

### **Note:**

Members are invited to contact the author in advance of the meeting with any detailed queries or questions. (Telephone 01423 500600 or email Alison.Johnson@harrogate.gov.uk).

## 9. **Appendices**

Appendix A – Draft Internal Audit Plan 2020/21

## 2020/21 DRAFT INTERNAL AUDIT PLAN

AUDIT	DAYS	COMMENTS
Car Park Income	10	<p>An audit of a fundamental system on a 3 year rolling programme.</p> <p>To give assurance on the adequacy and effectiveness of internal controls (consideration should be given to Covid-19 closures)</p> <p>Quarter 4</p>
Payroll	6	<p>3 year rolling programme to look at the controls in place in relation to the payroll system. Focus will be on the accuracy of the new self-serve system that is now operated locally.</p> <p>Quarter 3</p>
Business Continuity and Disaster Recovery	15	<p>To give assurance on the adequacy and effectiveness of internal controls particularly in relation to the period affected by Covid-19.</p>
Post Business Support Grant Verification	30	<p>To give assurance that the business support grants (including discretionary payments) have been paid accurately, within an expected timeframe and recovered where and if required. Use of Spotlight, CIFAS, IDEA for data analysis.</p>
Procurement Assurance/Contract Procedure Rules	10	<p>To give assurance on the adequacy and effectiveness of the internal controls in relation to Contract procedure and awards.</p>



Risk Management Review (Subject to change via authority of Chief Finance Officer s151)	18	<p>To review the content of service and corporate risk registers.</p> <p>The management of risk is a key process which underpins the achievement of the Council's objectives and priorities. It also forms part of the Annual Governance Statement.</p>
ICT Data Security	15	To provide assurance that internal controls are strong and prevent unauthorised access, exposure to ransomware, deliberate or accidental breach of information security arrangements, use of suppliers with weak security arrangements.
Climate Change	10	An assessment of the current processes for monitoring and reporting requirements of the impact of climate change.
S106	10	An audit to provide assurance that income is received per agreements and expended per legislation
VAT	10	A review of key controls to ensure compliance with VAT accounting requirements.
Contingency	20	A pool of days that can be drawn down during the year for special investigations or additional audit work requested on approval.
Duplicate payments work	1	To identify any duplicate payments made quarterly and annually. To report back any findings to the finance section so they can make steps to recover monies.

Follow up of previous audit recommendations	5	Follow up of all outstanding audit recommendations
Management time/Committee Meetings etc.	20	Includes preparation and monitoring of the Audit Plan, review of audit files, preparing reports plus attendance at meetings.
<b>TOTAL</b>	<b>180</b>	

<b>AUDIT</b>	<b>DAYS</b>	<b>COMMENTS</b>
Contingency available (if required)	20	Made available within the Shared Audit Services Plan for CDC to use to cover any unexpected or ad hoc pieces of work. To be charged for separately.
<b>TOTAL</b>	<b>20</b>	

## **Audit & Governance Committee 29<sup>th</sup> July 2020**

### **Update on the Statement of Accounts 2019/20**



Report of the Chief Finance Officer (s151 Officer)

Ward(s) affected: All

#### **1. Purpose of Report**

- 1.1 To provide an update on the production of the 2019/20 Statement of Accounts and the subsequent audit process.

#### **2. Recommendations**

- 2.1 This report is for information and members are asked to note the progress to date and likely certification date for the 2019/20 Statement of Accounts.

#### **3. Background Information**

- 3.1 The Accounts and Audit Regulations 2015 require that a draft Statement of Accounts submitted to the auditor must be signed by the Council's Chief Financial Officer by 31<sup>st</sup> May and that Members approve the Council's audited statutory accounts by 31<sup>st</sup> July, following the financial year-end.
- 3.2 There were difficulties in achieving the July deadline for the 2018/19 accounts and a number of measures were introduced to enhance the process for 2019/20. These included improvements to asset valuation procedures and enhancements to the processes around the completion and authorisation of the financial statements and supporting notes within the accounts.
- 3.3 A detailed project plan was produced in February that aimed to deliver the draft and final accounts within the prescribed deadlines.

#### **4. The Report**

- 4.1 In April 2020, in response to the implications of Covid-19, the statutory deadlines for the certification of the 2019/20 accounts was extended and further amendments to the accounting code suspended. The most significant of these concerned the accounting treatment of leases.

- 4.2 For Craven District Council, the statutory obligation to publish draft accounts has been changed to 30<sup>th</sup> September, with the subsequent formal certification moved to 30<sup>th</sup> November 2020.
- 4.3 However, in consultation with the council's external auditors, the council elected to publish the draft accounts by 30<sup>th</sup> June (i.e. to delay by only one month from the original target date) and consequently made the accounts available for public inspection and for the external audit process to begin from 1<sup>st</sup> July 2020.
- 4.4 At the time of writing this report, the audit process is well underway and the target of substantially completing the exercise by 31<sup>st</sup> July 2020 looks to be achievable.
- 4.5 The caveat about substantially completing the exercise relates to ongoing dialogue nationally around the valuation of pension fund assets and liabilities and the extent to which uncertainty around the impact of Covid-19 might affect the actuarial valuations and supporting narrative within councils' accounts. This issue is as yet unresolved and may not be determined until September or October. However, the affected entries and narrative are clearly set out within the council's draft accounts and will be amended in line with the national position, when it is clarified.
- 4.6 The intention is to submit the substantially completed (audited) accounts to the Audit & Governance Committee in September for consideration. This would involve the external auditor providing their assessment of the council's accounts and the formal ISA260 report but with the pensions issue above to be finalised. The final certification (signing) of the accounts would have to follow the finalisation of the pensions issues but everything else can be presented for consideration in September. This will allow the committee to form a view in September as to the status of the accounts, the robustness of the council's processes and to consider any issues arising from the external auditor's report.
- 4.7 The process for the production and auditing of the council's accounts can be more fully assessed in September. However, in the interim, it is reassuring, particularly given the events of recent months, that the council is on track to have achieved the revised targets set for the 2019/20 accounts.

## 5. **Implications**

### 5.1 Financial and Value for Money Implications

None

### 5.2 Legal implications

It is a statutory requirement for the Council to produce its annual statement of accounts for approval by a relevant committee which for this council is Audit & Governance.

### 5.3 Contribution to Council Priorities

Financial resilience through appropriate procedures and practices

5.4 Risk Management

None

5.5 Equality Impact Assessment

Not applicable to this update report.

6. **Consultations with Others**

There is regular contact and consultation with external audit throughout the process.

7. **Access to Information : Background Documents**

The draft 2019/20 accounts are available on the council's website.

8. **Author of the Report**

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