

# AUDIT AND MEMBER STANDARDS COMMITTEE

5 FEBRUARY 2020

## PRESENT:

Councillors Greatorex (Chairman), Checkland, Grange, A Little, Norman, Robertson and White

## 26 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor Ho and Councillor Spruce

## 27 DECLARATIONS OF INTEREST

There were no declarations of interest

## 28 MINUTES OF THE PREVIOUS MEETING

The Minutes of the Meeting held on 14 November 2019, as printed and previously circulated, were taken as read and approved as a correct record subject to a couple of amendments made during the meeting.

## 29 TREASURY MANAGEMENT STATEMENT AND PRUDENTIAL INDICATORS

The Committee received a report on the Treasury Management Strategy Statement (TMSS) 2020/21 from Mr Anthony Thomas (Head of Finance & Procurement).

Anthony Thomas outlined the financing and investment strategy for the forthcoming financial year including the Capital Programme which incorporates the previous Property Investment Strategy.

Concerns were raised at the meeting in relation to the incorporation of the Property Investment Strategy into the Capital Strategy within the MTFS. It was highlighted that the change reflected that the desired outcomes such as establishment of Governance Structures and processes were now complete and the outstanding areas could be incorporated into existing processes. The concern is that it would be more difficult to scrutinise the Property Investment Strategy because it had already been considered by the Strategic (Overview and Scrutiny) Committee as part of the MTFS. It was noted that the CIPFA guidance required the Council to approve a Capital Strategy that set out the framework for managing the Capital Programme and the current version included the relevant areas of the Property Investment Strategy.

The Committee did not believe it appropriate to duplicate the work of another Committee and therefore this would need to be considered by the Overview and Scrutiny Co-ordinating Group. Assurance was provided that the Audit and Member Standards had overall responsibility for Governance and Risk Management and could therefore still scrutinise the relevant systems and processes related to Investment in Property.

There were some questions raised in relation to the mechanism for responding to situations where financial markets are impacted, such as bank mergers. Anthony Thomas confirmed that any increases in limits would have to be reviewed by the Committee prior to approval by Council.

Anthony Thomas stated any restrictions on the limit for employee car loans could have a negative impact on staff retention and therefore the £100,000 limit took this into consideration.

**RESOLVED:-** Members considered the Treasury Management Strategy Statement and did not highlight any changes or recommendations to Cabinet. It was agreed by the Committee that Cabinet take into account the potential ethical considerations of investment in Real Estate Investment Trusts (REITs).

### 30 INTERNAL AUDIT PROGRESS REPORT

Rebecca Neill (Internal Audit Manager) presented the Internal Audit Progress Report for the period to 30 December 2019 (Quarter 3) and proposals for a new approach to audit follow up and assurance opinions.

Members discussed the limitations to the customer satisfaction survey results due to the limited number of responses and suggested that this KPI include the annual to date results, as opposed to the quarter's outturn. Rebecca Neill agreed and explained that going forward an increased proactive approach would be taken to ensure a higher response rate was received.

The Committee discussed the proposed approach to audit follow up and endorsed the increased visibility in implementation of recommendations.

In discussing the audit plan progress, the Committee requested greater detail where a decision is taken to postpone an internal audit.

Rebecca Neill agreed to incorporate these into the work programme going forward.

With regard to consultancy work undertaken by the audit team, the Committee queried how potential conflicts of interest were managed in not subsequently auditing areas where advice had previously been given, within a small team. Rebecca Neill explained that this was a challenge, but assured the Committee that where an auditor has provided advice they will not be part of the audit. There is an additional safeguard against this Rebecca Neill has oversight of all audit reports.

In terms of the proposal to sample test managers' confirmation of implementation of medium and low recommendations, the Committee asked for the results of this to be fed back in the internal audit progress reports. Rebecca Neill agreed that this was a good idea.

**RESOLVED:** The Committee considered the Internal Audit Progress Report September 2019 to December 2019 and endorsed the proposals for the new approach to follow up and assurance opinions.

### 31 RISK MANAGEMENT UPDATE

Rebecca Neill introduced the Risk Management Update which updated the committee on the management of the Corporate risk Register.

The Committee requested assurances that there have been risk handovers in line with the recent changes to the management structure.

Christie Tims (Head of Corporate Services and Monitoring Officer) provided assurances that appropriate handovers had taken place and Pentana was being used to manage these risks.

The Committee raised a number of areas for consideration; a greater level of information in relation with risks and climate, Brexit as a stand-alone risk, climate change emergency as a stand-alone risk.

Rebecca Neill confirmed that these considerations would be taken back to Leadership Team for review.

**RESOLVED:-** Members noted the work being undertaken to ensure the risk Management Policy is adhered to and the actions taking place to manage the Council's most significant risks.

### **32 ANNUAL REPORT ON EXCEPTIONS AND EXEMPTIONS TO PROCEDURE RULES**

Members received a report from Christie Tims on the Annual Report on Exceptions and Exemptions (Waivers) to Procedure Rules which is part of the Contract Procedure Rules and applicable for the 2018/2019 financial year. The level of exceptions and exemptions (waivers) granted during this period are shown in the report.

The Committee have requested a rationale for each waiver in future reports.

**RESOLVED:-** The Committee noted the Exceptions (Waivers) set out within Appendix A of the report.

### **33 REVIEW OF THE EFFECTIVENESS OF THE AUDIT & MEMBER STANDARDS COMMITTEE**

Rebecca Neill introduced the Risk Management Update which updated the committee on the management of the Corporate risk Register.

The Committee requested assurances that there have been risk handovers in line with the recent changes to the management structure. Christie Tims (Head of Corporate Services and Monitoring Officer) provided assurances that appropriate handovers had taken place and Pentana was being used to manage these risks.

The Committee raised a number of areas for consideration;

- Greater clarification on corporate risk 'a failure to respond to changing demographics' in terms of the ageing population.
- That the current risk score on governance and statutory obligations be reviewed by the risk owner.

The current flu pandemic and mitigations in place were also discussed by the Committee.

Rebecca Neill confirmed that these considerations would be taken back to Leadership Team for review.

**RESOLVED:** Members noted the work being undertaken to ensure the risk Management Policy is adhered to and the actions taking place to manage the Council's most significant risks.

### **34 AUDIT COMMITTEE LDC PROGRESS REPORT AND UPDATE - YEAR ENDED 31 MARCH 2020**

Mr John Gregory from Grant Thornton presented the Audit Progress Report and Sector Update Lichfield District Council year ending 31 March 2020 which provided the Committee with a report on progress in delivering our responsibilities as External Auditors.

The Committee questioned whether it would be prudent for Cllr Greatorex as the Chair of the Committee to have a greater level of involvement in the process of completing the Statement of Accounts prior to approval by the Committee.

The Head of Finance and Procurement agreed to provide regular updates to the Chair of the Committee on the progress of completing the Statement of Accounts prior to approval by the Committee.

**RESOLVED:-** The Committee noted the contents of the Audit Progress Report and Sector Update.

### **35 WORK PROGRAMME**

Members noted the Work Programme and the Chairman requested any additions/alterations to the programme.

(The Meeting closed at 7.46 pm)

CHAIRMAN