

# DRAFT

Note: These Minutes will remain DRAFT until approved at the next meeting of the Committee

## REMOTE GOVERNANCE AND ETHICS COMMITTEE

### MINUTES OF THE MEETING HELD ON MONDAY, 15 JUNE 2020

**Councillors Present:** Jeff Beck (Chairman), Jeremy Cottam (Vice-Chairman), Barry Dickens, Owen Jeffery (Substitute) (In place of Geoff Mayes), Rick Jones, Tony Linden, Thomas Marino, David Marsh, Andy Moore and Claire Rowles.

**Also Present:** Catalin Bogos (Performance Research Consultation Manager), Julie Gillhespey (Audit Manager), Joseph Holmes (Executive Director - Resources), Andy Walker (Head of Finance and Property), Stephen Chard (Principal Policy Officer) and Councillor Joanne Stewart

**Apologies for inability to attend the meeting:** Parish Councillor Jane Langford and Councillor Geoff Mayes

#### PART I

#### 3 Declarations of Interest

There were no declarations of interest received.

#### 4 Minutes

The Chairman welcomed Barrie Morris and David Johnson from Grant Thornton, the Council's external auditors, to the meeting. He reminded Members that if the external auditors wished to address the Committee standing orders would need to be amended to allow them to do so.

The Minutes of the meeting held on 27 April 2020 were approved as a true and correct record and signed by the Chairman subject to the inclusion of the following correction:

**Item 36 Internal Audit Review of the Governance and Ethics Committee. penultimate paragraph, final sentence:**

Councillor Abbs made the **suggestion** that the survey be repeated.

*(As Councillor Claire Rowles was not present at the meeting on the 27 April 2020 she abstained from voting on the minutes.)*

The Minutes of the meeting held on 14 May 2020 were approved as a true and correct record and signed by the Chairman.

#### 5 Forward Plan

The Committee considered the Governance and Ethics Committee Forward Plan (Agenda Item 4).

The following additions to the forward plan were proposed:

- The inclusion of an item on risk appetite at a future meeting;
- Action Plan arising from the report on the effectiveness of the Governance and Ethics Committee to be included at a future meeting.

**RESOLVED that** the Governance and Ethics Committee Forward Plan be noted.

**6 2019/20 External Audit Fee and External Audit Plan/Scope**

The Committee considered a report (Agenda Item 5) which sought to inform Members of the proposed 2019/2020 external audit fee and proposed external audit plan for 2019/2020.

Andy Walker introduced the item. The Chairman noted that the proposal was to increase the external audit fee by 28.4%. This was, in the main, to cover costs associated with additional audit requirements emanating from Central Government. The fee for 2019/20 was broadly similar to the 2017/18 fees.

Standing Orders were suspended in order to allow the external auditors to address the Committee.

Barrie Morris in responding to queries raised by Councillor Rick Jones explained that the Financial Reporting Council (FRC) oversaw the audits of all large public sector bodies and corporate organisations. There had been a large number of high profile corporate failings, most notably in corporate bodies, in recent times.

The FRC had therefore called into question the robustness of the work of some external audit firms especially in areas where high levels estimations were used. There had therefore been a lot of focus around areas where there was a high level of expenditure including property, plant, equipment and pensions. In the public sector they had also been asked to consider carefully activity around commercial property investment which was considered to be a higher risk activity given the frequent changes in the value of these assets. This required additional work and challenge of management to be undertaken by the auditors during the preparation of the authority's accounts.

An interim report was required because of the slippage in the timetable for the production of the accounts. The Council would be required to produce the accounts by the end of August instead of the end of May. The review of those accounts by the auditors was due by the end of November. The interim report would therefore give the auditors an opportunity to see what progress had been made with the implementation of the recommendations previously made.

Councillor Andy Moore queried if Officers would be ready to respond to the interim report in July and if they thought it would be beneficial to do so. Andy Walker confirmed that Officers were prepared for the interim review and considered it to be a positive and worthwhile exercise. Barrie Morris commented that this was standard practice. The interim report would usually be prepared in February or March before the final accounts were prepared but had been delayed until July due to the slippage in the timetable for preparing the accounts. This was not an additional piece of work that the Council was paying for.

The 'Going Concern Assumption' pertained to the organisation's ability to meet its financial requirements for the following 12 months without having to curtail its activities. There had been an increase in the number of failures in public sector organisations in recent years and a number of directors of finance had needed to issue section 114 notices. This meant that the authority had 'run out of money' and could only spend money on absolutely critical services. The external auditors therefore needed to ensure that the Council had sufficient resources to cover the twelve month period after the end of their audit review which would be the 30 November 2021. Joseph Holmes confirmed that he was not currently looking at the need to issue a section 114 report.

Councillor Jeremy Cottam queried whether the audit would include assessments of the viability of organisations that delivered services on behalf of the Council for example the Council's waste contractor. Barrie Morris stated that this would fall outside the scope of the audit unless the company was wholly owned by the authority. They might however

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consider mitigation measures the Council might take if it was recognised that the organisation was going into distress.

Councillor Owen Jeffery noted that the increase in the fee was significant and queried if the auditors felt that it was sufficient to cover their costs. Barrie Morris stated that the scale fees were based on assumptions around the Council's risk profile. The fee was felt to be both appropriate and proportionate. He did however highlight that more changes were being proposed in respect of the audit regime which might impact on fees. Any further changes to the fees would be brought back to the Committee for approval.

Councillor Claire Rowles queried to what extent the breakdown of the amount of time spent on the preparation of the accounts was scrutinised by Officers in relation to the fees charged. She also queried how the external auditors ensured that they audited the accounts in the most efficient way possible thereby ensuring they were providing good value for money.

Joseph Holmes stated that any additional fees would have to be brought to his attention. As a team they would be aware of where any additional audit work was being undertaken and the team would ensure that it matched their expectations. The external auditors also had to take any additional fees through the Public Sector Audit Appointments (PSAA) organisation and if the Council supported the proposal it would be a cleaner approval process. The PSAA could also adjudicate that the fees were either too high or too low.

Barrie Morris explained that the fees were based on a scale set by PSAA which had come down over the last few years. Any increases would be discussed with officers to ensure that they were reasonable and appropriate. If changes were proposed they had to go through the PSAA. They had thresholds (circa £30k) which would trigger them looking into the work undertaken by the auditors to assess if the work was necessary. Discussions with the PSAA had been undertaken in advance this year in relation to the current increase in fees rather than leaving it late in the process. In terms of audit efficiency, Grant Thornton based their audits on a national programme of activity. The team were specialists in the public sector and quality standard checks were in place.

Standing Orders were reinstated.

**RESOLVED** that the report be noted.

### 7 Exclusion of Press and Public

**RESOLVED** that members of the press and public be excluded from the meeting for the under-mentioned item of business on the grounds that it involves the likely disclosure of exempt information as contained in Paragraphs 3,5 and 6 of Part 1 of Schedule 12A of the Local Government Act 1972, as amended by the [Local Government \(Access to Information\)\(Variation\) Order 2006](#). [Rule 8.10.4 of the Constitution also refers](#).

### 8 Risk Management Q4 of 2019/20 Report

*(Paragraph 3 – information relating to financial/business affairs of particular person)*

*(Paragraph 5 – information relating to legal privilege)*

*(Paragraph 6 – information relating to proposed action to be taken by the Local Authority)*

The Committee considered an exempt report (Agenda Item 7) which concerned the Council's corporate risks and outlined the actions that were being taken to mitigate those risks.

**RESOLVED** that the recommendations as set out in the exempt report be agreed.

*(The meeting commenced at 4.00pm and closed at 5.10pm)*

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**CHAIRMAN** .....

**Date of Signature** .....