

Audit Committee – 10 November 2020

Minutes of the meeting of the **Audit Committee** held on **10 November 2020** when there were present:-

Chairman: Cllr Mrs L A Butcher
Vice-Chairman: Cllr D Merrick

Cllr Mrs T L Carter
Cllr G J Ioannou
Cllr M J Lucas-Gill
Cllr R Milne

Cllr J E Newport
Cllr Mrs L Shaw
Cllr P J Shaw
Cllr D J Sperring

VISITING MEMBER

Cllr D S Efde

APOLOGIES FOR ABSENCE

Apologies for absence were received from Cllr M Hoy

SUBSTITUTES

S A Wilson - for Cllr M Hoy

OFFICERS PRESENT

N Lucas - Assistant Director, Resources
A Law - Assistant Director, Legal & Democratic
M Porter - Chief Audit Executive
J Kevany - Principal Auditor
S Worthington - Principal Democratic and Corporate Services Officer
L Morris - Democratic Services Officer

188 MINUTES

The Minutes of the meeting held on 29 September 2020 were approved as a correct record and would be signed by the Chairman in due course.

189 REDMOND REVIEW

The Committee considered the report of the Assistant Director, Resources presenting the conclusions and recommendations arising from the independent Redmond Review.

The Assistant Director, Resources advised Members that a report on the Annual Accounts should be referred to Council each year by the Audit Committee.

The Assistant Director, Resources also advised that the recommendations of the review were good practice, but not formally required at this point in time. However, she advised that some of the recommendations may be formalised in

future, and that several other Councils were opting to adopt these recommendations.

A Member noted that the Council was already carrying out most of these practices; the Assistant Director, Resources advised that not all Councils had adopted these recommendations and that the broader intention of the report was to examine the sustainability and effectiveness of external audit firms. The Assistant Director, Resources further advised that external audit firms were struggling with resource which had resulted in difficulty in meeting deadlines. The Assistant Director, Resources emphasised that the report included proposals aimed at increasing the stability and sustainability of the audit market, resulting in greater certainty around the annual accounts process for local authorities.

The Chairman advised that she learned at a webinar on the subject that 40% of local councils had not completed their accounts for the year 2018/19, and highlighted that Rochford District Council had done well compared to some other local authorities.

In response to Member concern that this might increase external audit fees the Assistant Director, Resources advised that the sustainability of fee levels had been an issue in the past and the Redmond Review had indicated that there may continue to be an increase of up to 25%. To some extent, the Council was already experiencing an increase in fees as there were additional costs on top of the base rate for audits. The Assistant Director, Resources agreed that it would be easier for the Council to budget if audit fees were more transparent.

In response to a Member question as to whether the Council was obliged to use a designated auditor, the Assistant Director, Resources emphasised that while it was possible to use an alternative auditor, it was likely to be more expensive; the Council may have difficulty with this approach as audit firms were trying to step away from local government auditing.

The Assistant Director confirmed, in response to a Member query as to whether an audit fee could be negotiated, that at the beginning of the three year procurement process, a base fee is negotiated and set, but it was not possible to price in additional works that could not be anticipated.

The Chairman moved a motion on the basis of recommendation 2 to ask the Chairman of the Council to receive an annual report to the Council on the accounts, which was unanimously approved.

Turning to recommendation 3 regarding one independent person being appointed to the Audit Committee, the Chairman indicated that she felt more detailed information was needed and suggested that officers report back to the Audit Committee with a role profile for an independent person and details of allowances prior to any decision being made. Based on this, the Chairman moved a motion to ask officers to bring a report on the proposed independent person role to the next meeting of the Committee. The motion was unanimously agreed.

Resolved

- (1) That the report and the three recommendations to local authorities be noted.
- (2) That the Audit Committee provide an annual report to Council on the accounts, as soon as possible after the Audit Committee has considered them.

(11 votes for the Motion, 0 against, 0 abstained)

- (3) That a report on the proposed independent person role be brought back to the next meeting of the Audit Committee for consideration.

(11 votes for the Motion, 0 against, 0 abstained)

- (4) That it be noted that the Chief Executive Officer, the Monitoring Officer and the Chief Financial Officer currently have the facility to meet with the Key Audit Partner at least annually. (ADR)

190 LOCAL CODE OF CORPORATE GOVERNANCE

The Committee considered the report of the Assistant Director, Legal & Democratic providing an update of the Local Code of Corporate Governance for approval.

The Assistant Director, Legal & Democratic advised that the code was not a legal obligation, but was adopted by the majority of local authorities as a matter of good guidance and practice.

Resolved

That the Local Code of Corporate Governance be agreed. (ADLD)

(11 votes for the Motion, 0 against and 0 abstained)

191 AUDIT PROGRESS REPORT 2020/21

The Committee considered the report of the Assistant Director, Resources providing an update on the work of the Internal Audit team.

A Member queried if taking these additional items that the Council has been required to do *en bloc* would be creating an increase in workload for the finance team, and would RDC have the resources to deal with these items. The Chief Audit Executive advised that the revised Audit Plan would be completed in its entirety, and that the plan would enable the Chief Audit Executive to give an opinion at year end. The Chief Audit Executive assured Members that the necessary resources were available.

In response to a Member question as to whether there was any evidence of fraudulent claims for business grants in Rochford and about how much time was being taken up by these schemes the Chief Audit Executive advised that from his examination there was no real evidence of fraud. He further advised that Rochford District Council had introduced an application process so that businesses had to apply for the grant which allowed Rochford District Council Revenues and Benefits to undertake some initial checks, followed by sample checks by Internal Audit on a number of the payments to ensure that the processes were adequate and fit for purpose. The Principal Auditor confirmed that a couple of fraudulent cases had been identified on application and passed on to the Department for Business, Energy and Industry Strategy (BEIS) for review.

Resolved

- (1) That the update on delivering the 2020/21 Audit Plan be noted.
- (2) That the conclusions and results from completed audit engagements in Appendices 1 and 2 be noted.
- (3) That the updated status of audit recommendations in Appendix 4 be noted. (ADR)

192 REVIEW OF THE COUNCIL'S RISK REGISTER 2020/21

The Committee considered the report of the Assistant Director, Resources presenting a six-month review of the Council's risk register (CRR) for 2020/21.

The Assistant Director, Resources advised Members that due to the increased risks surrounding the COVID-19 pandemic, the decision had been taken to do a full review of the Risk Register, which was taken to the July Committee. The Assistant Director, Resources advised that there had been some minor changes to wording around the control measures in place.

Resolved

That the content of the corporate risk register for 2020/21 be noted. (ADR)

The meeting closed at 8.15pm.

Chairman

Date

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