



MINUTES

Audit and Standards Committee

Date:	Thursday, 26 November 2020
Venue:	Remote meeting via Zoom
Committee Members Present:	Councillor John Singleton JP (Chairman) Councillor Ellie Gaunt (Vice-Chairman) Councillors Paula Brearley, Delma Collins, Peter Collins, Brian Gill, Ed Nash and Sally Nash-Walker.
Other Councillors Present:	Councillor Karen Buckley – Leader of the Council
Officers Present:	Paul O'Donoghue, Ian Curtis, Dawn Highton, Paul Harrison and Katharine McDonnell
Other Attendees:	Paul Hewitson and Joe Stone – Deloitte, Helen Broughton – Independent Person

1. Declarations of Interest

Members were reminded that any disclosable pecuniary interests should be declared as required by the Localism Act 2011 and any personal or prejudicial interests should be declared as required by the Council's Code of Conduct for Members. No interests were declared on this occasion.

2. Confirmation of Minutes

RESOLVED: To approve the minutes of the Audit and Standards Committee meeting held on 24 September 2020 as a correct record for signature by the Chairman.

3. Substitute Members

There were no substitutions on this occasion.

Standards Decision Items

4. Standards Complaints Handling Procedure

Ian Curtis, Head of Governance, introduced a new Standards Complaints Handling Procedure. He advised that members had previously considered the report of the Committee on Standards in Public Life on the review of ethical standards in local government. As a result, Committee had previously agreed to adopt a number of the best practice recommendations within the report, including the adoption of a more detailed process for complaints handling.

Mr Curtis advised that working together with colleagues in Blackpool, a new complaints handling procedure had been drafted for adoption by the committee.

It was RESOLVED to adopt the Standards Complaints Handling Procedure.

5. Report to Those Charged with Governance (ISA 260) 2019/20

Paul Hewitson, External Auditor, Deloitte, advised that the report before committee summarised the key issues identified during the audit of the Council's financial statements for the year ended 31st March 2020, and Deloitte's assessment of the Council's arrangements to secure value for money in its use of resources.

Mr Hewitson discussed the level of materiality, how it was arrived at and that by doing so helped to ensure that the accounts were true and materially correct. He explained the areas of significant risk and advised the audit had concluded the controls in place and management's judgement of those risks was appropriate and satisfactory.

In regards to the valuation of property assets, he advised that the council's decision to appoint an external valuer had led to an improved process. However he reported that, as with many councils, the impact of the pandemic on property markets had led to valuations being reported on the basis of material uncertainty.

Mr Hewitson reported that in regards to a Value For Money opinion, no risks had been identified, however there was scope to improve the documentation of business cases. Current practice presented no material risk, but if the council were to take a more commercial approach in future there would need to be more rigour in the development of business cases. He informed the committee that he anticipated being able to sign off the accounts by the deadline of 30th November 2020.

In concluding his presentation Mr Hewitson advised the committee of two unadjusted misstatements which were identified within the report, neither of which were above the level of materiality but the auditor was required to draw these to the attention of committee who should consider whether to instruct management to correct them. In addition, he drew the attention of the committee to two transactions relating to planning applications linked to elected members which he considered should be included within the related party transactions note within the accounts for complete transparency.

Following discussion, the committee indicated that they wished to see the planning application transactions included within the accounts. In response to questions from committee, Mr Hewitson advised that no other quantification than material uncertainty could be offered in regard to the valuation of assets as the market conditions were so unique. He advised that from a financial resilience point of view the level of fees and charges was appropriate, and in terms of financial stress, the council sat within a cohort of very low risk authorities. To provide members of more context he undertook to share value for money profiles prepared by CIPFA.

Following the presentation by Deloitte, the Chairman, on behalf of the Committee, offered a few words of thanks to firstly the Finance Team. He spoke about the team effort required to produce the accounts, and the thanks of the committee to everyone at all levels within the Finance team for such a splendid job. He drew particular attention to additional work the team had undertaken in 2020 in working to manage the payment of government funded Covid-19 business support grants.

He stated that it made the achievement of producing the accounts in a timely manner and in such a way as to make the accounts clearly defined for our external auditor, even more remarkable. He asked the Section 151 Officer to relay the committee's sentiments to all involved with their thanks.

Mr O'Donoghue, in response thanked the Chairman for his kind words. In regards to the misstatements listed in Deloitte's report he advised that to adjust the accounts would be extremely challenging, if not impossible, so close to sign off date and that he was comfortable with leaving them as unadjusted misstatements as proposed by Deloitte. With regard to the two related party transactions re planning applications he was happy to include commentary regarding both in the Statement of Accounts if that was the wish of the committee.

The Chairman also thanked the representatives of Deloitte, however he wished it to be noted that the committee registered their disappointment that the audit had not been fully concluded by the committee date which left a number of matters outstanding.

It was RESOLVED to;

1. note the External Auditor's Report to those charged with Governance for 2019/20, referred to as the ISA 260, and to thank Deloitte for their work;
2. The Committee is recommended to also note the work undertaken by the Council over the course of the last year resulting in a positive report from Deloitte; and
3. Note the unadjusted misstatements which would remain unadjusted and the matter regarding transactions with related parties would be noted in the statement of accounts.

6. Annual Statement of Accounts 2019/20

Paul O'Donoghue, Chief Financial Officer introduced the statement of accounts for 2019/20 and referred to the clean opinion expected to be provided by Deloitte as set out in the preceding agenda item.

He explained that the preparation of the Authority's Statement of Accounts was in large part heavily prescribed in how the accounts were presented and the statutory Annual Accounts and supporting financial statements were prepared in accordance with applicable laws and regulations and in line with the Chartered Institute of Public Finance & Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (The Code).

Mr O'Donoghue advised the narrative report provided a more accessible explanation of the accounts.

The Chairman thanked Mr O'Donoghue and Mr Harrison for the useful page-turn workshop on the accounts held prior to the committee meeting and for providing satisfactory answers to the questions raised by members.

It was unanimously RESOLVED to approve the Statement of Accounts for 2019/20.

7. Management Representation Letter 2019/20

Paul O'Donoghue, Chief Financial Officer, advised that following the conclusion of the audit of accounts the Council was required to provide the external auditor with a statement confirming that the Council had acted properly and with due regard to appropriate regulations and guidance in the preparation of financial statements and that all material items have been disclosed to the auditors and all reasonable measures taken to minimise fraud and error. This statement is referred to as the 'Management Representation Letter'. The letter showing the full detail of the statement was attached at Appendix A to the report.

It was advised that once agreed, the Management Representation Letter must be signed on behalf of the Authority by the Chief Financial Officer and by the Member presiding at the meeting of the Audit and Standards Committee (namely the Chairman on this occasion), that being the body delegated by Council to consider and approve the Statement of Accounts in line with the Accounts and Audit Regulations 2015. The signed Management Representation Letter would then be provided to Deloitte.

It was RESOLVED to agree that the Management Representation Letter be signed by the Chief Financial Officer and by the Chairman of the Audit and Standards Committee, on Monday 30 November 2020, and then be provided to Deloitte.

8. Mid Year Prudential Indicators and Treasury Management Monitoring Report 2020/21

Paul O'Donoghue, Chief Financial Officer, presented the Mid-Year Prudential Indicators and Treasury Management monitoring report. He advised it had been prepared in line with the recommendations of CIPFA's (Chartered Institute of Public Finance Accountants).

He advised that the report provided the economic background to the current position, where issues caused by the pandemic dominated. He further advised that the council held more money over the year than expected, due to government grants.

Mr O'Donoghue drew the committee's attention to Appendix B of the report, which detailed the forecast capital expenditure, the capital financing requirement, gross debt and forecast treasury position. He emphasised that the

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council was debt free but each year a borrowing limit was established to provide for contingency in unforeseen circumstances.

In concluding, Mr O'Donoghue advised recommendation two was to allow the council to better diversify investments in order to reduce risk.

In response to questions from committee, Mr O'Donoghue advised he could not see a need for the council to borrow in the immediate future, however if council changed its approach in seeking more commercial ventures or if the interest rates were to increase, it may become prudent to borrow.

Having scrutinised the Mid-Year Prudential Indicators and Treasury Management monitoring report, the Committee RESOLVED to;

1. Recommend to Council that the Prudential Indicators and the Investment Limits as shown at Appendix B of this report be approved; and
2. Recommend to Council that the limit for investment funds placed in each Money Market Fund to be increased from £2m to £3m and that the overall limit in respect of Money Market Funds be removed.

9. Internal Audit Plan 2020/21 – Revised Approach

Dawn Highton, Head of Internal Audit, introduced a proposed revised approach to the Internal Audit Plan for 2020/21. She advised that in July 2020, the Audit and Standards Committee approved the Revised Internal Audit Plan 2020. At that time the plan was based upon the audits it was anticipated would be achievable in order to be able to produce an audit opinion as required by the Public Sector Internal Audit Standards. However, since July it has become increasingly apparent that due to the continuing demands placed on the authority and its officers by the pandemic and by the Lancashire Resilience Forum, that it will not be possible to complete all of the audits in the plan.

She advised that Fylde was not unique in this regard.

There was, however a requirement placed upon Internal Audit to complete sufficient work to be able to provide an opinion as required by the Public Sector Internal Audit Standards on the adequacy and effectiveness of the Council's framework of governance, risk management and control.

The report before the committee detailed a proposed revised approach to enable Internal Audit to provide the opinion without placing additional demands on officers. The suggested approach had been considered by both the Corporate Governance Group and Corporate Management Team both of whom were in support of the proposal given the unprecedented circumstances and challenges presented by the pandemic.

It was RESOLVED to approve the approach to be taken by the Internal Audit Service in order to be able to provide an opinion for the financial year 20/21.

10. Internal Audit Interim Report as at 30th September 2020

Dawn Highton, Head of Internal Audit, presented Internal Audit interim report. The report summarised the work undertaken in respect of the Internal Audit Plan 2020/21 for the period April 2020 to September 2020 and included any residual work carried forward from the 2019/20 Internal Audit Plan.

She advised that when the Internal Audit team were redeployed in Spring, all work was put on hold. However, all reviews for that period were now completed and the report provided a summary of the findings from each review. The report also contained details of the implementation of agreed actions from reports issued with a limited assurance rating. Whilst some actions had been implemented in full, some have been delayed for reasons detailed in the report. Mrs Highton stated she was confident that the actions would be implemented as soon as the situation normalises.

It was RESOLVED to note the report.

11. Revised Anti-Fraud, Bribery & Corruption Statement & Strategy and Fraud Response Plan Review

Dawn Highton, Head of Internal Audit presented a report seeking the approval of the revised Anti-Fraud, Bribery and Corruption Statement & Strategy and the Fraud Response Plan.

She advised that previously these had been separate strategies but combining them made them more accessible and coherent.

The Fraud Response Plan, which was a new element, set out all the roles and responsibilities when fraud was suspected. Mrs Highton advised it was the intention to roll out fraud training in Spring 2021.

In response to questions she confirmed that all the documents would be made available on the Council website following the meeting.

It was RESOLVED to approve the Anti-Fraud, Bribery and Corruption Statement & Strategy and the Fraud Response Plan as set out in Appendices A and B respectively.

12. Constitution Amendment – Terms of Reference – Committees

Ian Curtis, Head of Governance, introduced a report seeking the Committee's consideration of amendments to the terms of reference of several committees, in line with the Committee's constitutional role to review and recommend amendments to Council.

He advised that the amendments were the first substantial amendments since the committee system was put in place in May 2015.

It was RESOLVED to recommend the proposed amendments to the terms of reference of the committees (Part 2 and Part 3 of the Council's Constitution – Responsibility for Functions), as they appear at Appendix A, to Council.

(Councillor Gill asked that his abstention be recorded.)

13. Revised Code of Conduct

Ian Curtis, Head of Governance, provided an update on the work of Local Government Association ('LGA') in drafting a model code of conduct in response to the report on ethical standards by the Committee on Standards in Public Life. The LGA had produced a model code and consulted on this over the summer months. A response to the consultation had been made on behalf of Fylde and Blackpool councils, and this was appended to the report.

It was RESOLVED to note the progress being made by the LGA and that members be kept informed of the development of this work and be invited to consider the adoption of such a model code once available.

Audit Information Items

The following information items were received by the committee.

14. Corporate Governance Action Plan

The Committee received an update of the Corporate Governance Action Plan. The Chairman drew the committee's attention to the updated Corporate Governance Action Plan which had been circulated following publication of the agenda.

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